

Restaurant Brands International Inc. Reports First Quarter 2020 Results

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RBI establishes support programs for restaurant owners and team members impacted by COVID-

19

Response to COVID-19 crisis includes the rapid advancement of digital platforms

POPEYES® delivers remarkable system-wide sales growth of 32% led by the Chicken Sandwich

RBI further enhances strong liquidity position of \$2.5 billion by adding \$500 million of 1st Lien

Notes in April

TORONTO, May 1, 2020 /CNW/ - Restaurant Brands International Inc. (TSX/NYSE: QSR, TSX: QSP) today reported financial results for the first quarter ended March 31, 2020.



Jose Cil, Chief Executive Officer of Restaurant Brands International Inc. ("RBI") commented, "I am very proud of the entire RBI family through these early days of the COVID-19 crisis. Our teams have taken thoughtful and immediate actions to protect and serve our guests and our restaurant owners have shown great resilience in overcoming the challenges we all face. In particular, we have worked very closely with our restaurant owners to help them and their team members weather this global crisis."

"We are fortunate to have drive-thru, take-out, mobile order and payment, curbside and delivery options in many of our restaurants that have allowed us to be a safe, trusted and convenient choice for millions of guests who have had to change their routines or stay at home in these extraordinary times. The groundwork our technology teams have put in place over the last two years allowed us to rapidly accelerate valuable improvements to our loyalty, CRM and mobile app platforms that ultimately improve guest engagement and differentiate our iconic brands," continued Cil.

"We came into 2020 in a position of strength in our industry. All of RBI has rallied in the face of the COVID-19 crisis and through the strength of our brands, commitment of our restaurant owners, dedication of their team members and the resilience of our brand teams, I am confident that we will finish 2020 as a stronger organization than when we started the year," concluded Cil."

Consolidated Operational Highlights **Three Months Ended March 31,**

	2020	2019
	<i>(Unaudited)</i>	
System-wide Sales Growth		
TH	(9.9)%	0.5%
BK	(3.0)%	8.2%
PLK	32.3%	6.8%
Consolidated	0.0%	6.4%
System-wide Sales (in US\$ millions)		
TH	\$ 1,382	\$ 1,547
BK	\$ 4,999	\$ 5,289
PLK	\$ 1,258	\$ 955
Consolidated	\$ 7,639	\$ 7,791
Net Restaurant Growth		
TH	1.2%	1.9%
BK	5.8%	5.7%
PLK	6.9%	6.6%
Consolidated	5.0%	5.1%
System Restaurant Count at Period End		
TH	4,925	4,866
BK	18,848	17,823
PLK	3,336	3,120
Consolidated	27,109	25,809
Comparable Sales		
TH	(10.3)%	(0.6)%
BK	(3.7)%	2.2%
PLK	26.2%	0.6%

Note: System-wide sales growth and comparable sales are calculated on a constant currency basis and include sales at franchise restaurants and company-owned restaurants. System-wide sales are driven by sales at franchise restaurants, as approximately 100% of current restaurants are franchised. We do not record franchise sales as revenues; however, our franchise revenues include royalties based on a percentage of franchise sales. Additionally, if a restaurant is closed for a significant portion of a month, the restaurant is excluded from the monthly comparable sales calculation.

Consolidated Financial Highlights

	Three Months Ended March 31,	
	2020	2019
	<i>(Unaudited)</i>	
<i>(in US\$ millions, except per share data)</i>		
Total Revenues	\$ 1,225	\$ 1,266
Net Income Attributable to Common Shareholders and Noncontrolling Interests	\$ 224	\$ 246
Diluted Earnings per Share	\$ 0.48	\$ 0.53
TH Adjusted EBITDA ⁽¹⁾	\$ 189	\$ 237
BK Adjusted EBITDA ⁽¹⁾	\$ 200	\$ 222
PLK Adjusted EBITDA ⁽¹⁾	\$ 55	\$ 41
Adjusted EBITDA ⁽²⁾	\$ 444	\$ 500
Adjusted Net Income ⁽²⁾	\$ 227	\$ 255
Adjusted Diluted Earnings per Share ⁽²⁾	\$ 0.48	\$ 0.55

	As of March 31,	
	2020	2019
	<i>(Unaudited)</i>	
LTM Free Cash Flow ⁽²⁾	\$ 1,382	\$ 1,346
Net Debt	\$ 10,852	\$ 11,364
Net Leverage ⁽²⁾	4.8x	5.1x

(1) TH Adjusted EBITDA, BK Adjusted EBITDA and PLK Adjusted EBITDA are our measures of segment profitability.

(2) Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted Earnings per Share, LTM Free Cash Flow, and Net Leverage are non-GAAP financial measures. Please refer to "Non-GAAP Financial Measures" for further detail.

The year-over-year change in Total Revenues on a GAAP basis was primarily driven by a decline in system wide sales at TH and BK and a decrease in supply chain sales, partially offset by an increase in system wide sales at PLK. FX movements added to the year-over-year decrease in Total Revenues on a GAAP basis.

The decrease in Net Income Attributable to Common Shareholders and Noncontrolling Interests for the first quarter was primarily driven by a decrease in TH and BK segment income, partially offset by an increase in PLK segment income, a decrease in interest expense and a decrease in income tax expense.

The year-over year change in Adjusted EBITDA as reported and on an organic basis was primarily driven by the decrease in TH and BK Adjusted EBITDA, partially offset by an increase in PLK Adjusted EBITDA.

As the quarter progressed, the COVID-19 global pandemic began to significantly impact our three brands' operations and sales performance, first in Asia, and then around the world. Our Q1 results were obviously impacted by COVID-19 despite the strength and expertise of our diversified global businesses that quickly responded to the crisis.

In North America, substantially all of our restaurants were open as of the end of the quarter. In Europe, Middle East and Africa as well as Latin America, approximately half of our restaurants were temporarily closed due to COVID-19 as of the end of the quarter. In Asia Pacific approximately 20% of our restaurants were temporarily closed due to COVID-19 as of the end of the quarter, an improvement from February.

Where permitted, many of our restaurants are operating with limited service modes serving food through channels such as drive-thru, delivery, and take-out.

While we do not know the future impact COVID-19 will have on our business, or when our business will return to normal operations, we expect a more significant impact from COVID-19 on our full quarter results in Q2 than it had on our full quarter results in Q1.

TH Segment Results

<i>(in US\$ millions)</i>	Three Months Ended March 31,	
	2020	2019
	<i>(Unaudited)</i>	
System-wide Sales Growth	(9.9)%	0.5%
System-wide Sales	\$ 1,382	\$ 1,547
Comparable Sales	(10.3)%	(0.6)%
Net Restaurant Growth	1.2%	1.9%

System Restaurant Count at Period End	4,925	4,866
Sales	\$ 465	\$ 483
Franchise and Property Revenues	\$ 234	\$ 266
Total Revenues	\$ 699	\$ 749
Cost of Sales	\$ 366	\$ 372
Franchise and Property Expenses	\$ 84	\$ 87
Segment SG&A	\$ 87	\$ 82
Segment Depreciation and Amortization	\$ 26	\$ 26
Adjusted EBITDA ⁽¹⁾⁽³⁾	\$ 189	\$ 237

(3) TH Adjusted EBITDA includes \$2 million and \$3 million of cash distributions received from equity method investments for the three months ended March 31, 2020 and 2019, respectively.

For the first quarter of 2020, the decrease in system-wide sales growth was primarily driven by comparable sales of (10.3)%, including Canada comparable sales of (10.8)%, partially offset by net restaurant growth of 1.2%. The global spread of COVID-19 in March had a significant impact on sales performance in the quarter. In the last two weeks of March we saw daily comparable sales decrease on average by a percentage in the mid-forties, however daily comparable sales are now down in the negative high thirties on a percentage basis as of the end of April.

The year-over-year change in Total Revenues on a GAAP and on an organic basis was primarily driven by the decrease in system-wide sales, which was concentrated in the month of March. This decrease was also driven by FX movements on a GAAP basis.

The year-over-year change in Adjusted EBITDA as reported and on an organic basis was primarily driven by the decrease in system-wide sales. This decrease was also driven by FX movements on an as reported basis.

BK Segment Results

(in US\$ millions)	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
System-wide Sales Growth	(3.0)%	8.2%
System-wide Sales	\$ 4,999	\$ 5,289

Comparable Sales	(3.7)%	2.2%
Net Restaurant Growth	5.8%	5.7%
System Restaurant Count at Period End	18,848	17,823
Sales	\$ 17	\$ 19
Franchise and Property Revenues	\$ 371	\$ 392
Total Revenues	\$ 388	\$ 411
Cost of Sales	\$ 17	\$ 18
Franchise and Property Expenses	\$ 39	\$ 43
Segment SG&A	\$ 145	\$ 141
Segment Depreciation and Amortization	\$ 12	\$ 13
Adjusted EBITDA ⁽¹⁾⁽⁴⁾	\$ 200	\$ 222

(4) BK Adjusted EBITDA includes \$1 million of cash distributions received from equity method investments for the three months ended March 31, 2019. No significant amounts were received for the three months ended March 31, 2020.

For the first quarter of 2020, the decrease in system-wide sales growth was driven by a decrease in comparable sales of (3.7)%, including a decrease in US comparable sales of (6.5)%, partially offset by net restaurant growth of 5.8%. The global spread of COVID-19 in March had a particularly strong impact on sales performance in the quarter. In the last two weeks of March we saw daily comparable sales decrease on average by a percentage in the low thirties, however daily comparable sales are now down in the negative teens on a percentage basis as of the end of April.

The year-over-year change in Total Revenues on a GAAP and on an organic basis was primarily driven by the decrease in system-wide sales, which was concentrated in the month of March. On a GAAP basis, FX movements resulted in a further decrease.

The year-over-year change in Adjusted EBITDA as reported and on an organic basis was primarily driven by the decrease in system-wide sales. This decrease was also driven by FX movements on an as reported basis.

PLK Segment Results

(in US\$ millions)	Three Months Ended March 31,	
	2020	2019

	<i>(Unaudited)</i>	
System-wide Sales Growth	32.3%	6.8%
System-wide Sales	\$ 1,258	\$ 955
Comparable Sales	26.2%	0.6%
Net Restaurant Growth	6.9%	6.6%
System Restaurant Count at Period End	3,336	3,120
Sales	\$ 21	\$ 20
Franchise and Property Revenues	\$ 117	\$ 86
Total Revenues	\$ 138	\$ 106
Cost of Sales	\$ 16	\$ 16
Franchise and Property Expenses	\$ 3	\$ 3
Segment SG&A	\$ 66	\$ 49
Segment Depreciation and Amortization	\$ 2	\$ 3
Adjusted EBITDA ⁽¹⁾	\$ 55	\$ 41

For the first quarter of 2020, system-wide sales growth was driven by comparable sales growth of 26.2%, including US comparable sales growth of 29.2%, as well as net restaurant growth of 6.9%. The global spread of COVID-19 in March impacted sales performance in the quarter. In the last two weeks of March we saw daily comparable sales approximately flat on average, however daily comparable sales have returned to pre-COVID-19 levels as of the end of April.

The year-over-year change in Total Revenues on a GAAP and on an organic basis was primarily driven by system-wide sales growth.

The year-over-year change in Adjusted EBITDA as reported and on an organic basis was primarily driven by system-wide sales growth.

Cash and Liquidity

As of March 31, 2020, total debt was \$13.4 billion, net debt (total debt less cash and cash equivalents of \$2.5 billion) was \$10.9 billion, and net leverage was 4.8x. Our cash balance at quarter end reflects our decision to proactively draw down substantially all of our \$1 billion

revolving credit facility in mid-March out of an abundance of caution. It does not reflect the issuance of and cash proceeds from \$500 million of new First Lien Notes, which we completed at the beginning of April 2020.

The RBI Board of Directors has declared a dividend of \$0.52 per common share and partnership exchangeable unit of Restaurant Brands International Limited Partnership for the second quarter of 2020. The dividend will be payable on June 30, 2020 to shareholders and unitholders of record at the close of business on June 17, 2020.