Restaurant Brands International Inc.
Form 10-Q
May 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-36786

RESTAURANT BRANDS INTERNATIONAL INC.

(Exact Name of Registrant as Specified in its Charter)

Canada	**98-1202754**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
226 Wyecroft Road Oakville, Ontario	**L6K 3X7**
(Address of Principal Executive Offices)	**(Zip Code)**

(905) 845-6511

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one);

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of April 20, 2015, there were 202,304,385 common shares of the Registrant outstanding.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

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PART I Financial Information

Item1. Financial Statements

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In millions of U.S. dollars, except share data)

(unaudited)

	As of	
	March 31, 2015	**December 31, 2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,021.9	$ 1,803.2
Restricted cash and cash equivalents		84.5
Trade and notes receivable, net of allowance of $18.0 million and $20.1 million, respectively	361.5	439.9
Inventories and other current assets, net	198.7	194.9
Advertising fund restricted assets	44.4	53.0
Deferred income taxes, net	96.8	85.6
Total current assets	1,723.3	2,661.1
Property and equipment, net of accumulated depreciation of $253.0 million and $226.7 million, respectively	2,400.5	2,539.6
Intangible assets, net	8,819.7	9,441.1
Goodwill	5,360.2	5,851.3
Net investment in property leased to franchisees	135.1	140.5
Other assets, net	936.6	530.4
Total assets	$ 19,375.4	$ 21,164.0
LIABILITIES, REDEEMABLE PREFERRED SHARES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts and drafts payable	$ 233.9	$ 223.0
Accrued advertising	35.7	25.9
Other accrued liabilities	465.0	318.8
Gift card liability	125.9	187.0
Advertising fund liabilities	40.2	45.6
Current portion of long term debt and capital leases	39.1	1,124.9
Total current liabilities	939.8	1,925.2

Term debt, net of current portion	8,961.0	8,936.7
Capital leases, net of current portion	161.5	175.7
Other liabilities, net	743.1	644.1
Deferred income taxes, net	1,756.3	1,862.1
Total liabilities	12,561.7	13,543.8
Commitments and Contingencies		
Redeemable preferred shares; $43.775848 par value; 68,530,939 shares authorized, issued and outstanding at March 31, 2015 and December 31, 2014;	3,297.0	3,297.0
Shareholders Equity:		
Common shares; no par value; unlimited shares authorized; 202,304,385 shares issued and outstanding at March 31, 2015; 202,052,741 shares issued and outstanding at December 31, 2014;	1,766.4	1,755.0
Retained earnings	201.3	227.6
Accumulated other comprehensive income (loss)	(440.0)	(111.7)
Total Restaurant Brands International Inc. shareholders equity	1,527.7	1,870.9
Noncontrolling interests	1,989.0	2,452.3
Total shareholders equity	3,516.7	4,323.2
Total liabilities, redeemable preferred shares and shareholders equity	$ 19,375.4	$ 21,164.0

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(In millions of U.S. dollars, except per share data)

(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues:		
Sales	$ 499.5	$ 18.5
Franchise and property revenues	432.5	222.4
Total revenues	932.0	240.9
Cost of sales	436.5	15.5
Franchise and property expenses	130.0	37.4
Selling, general and administrative expenses	111.0	48.2
(Income) loss from equity method investments	(2.8)	4.0
Other operating expenses (income), net	35.5	4.5
Total operating costs and expenses	710.2	109.6
Income from operations	221.8	131.3
Interest expense, net	123.9	50.0
(Gain) loss on early extinguishment of debt	(0.3)	
Income (loss) before income taxes	98.2	81.3
Income tax expense	47.3	20.9
Net income (loss)	50.9	60.4
Net income (loss) attributable to noncontrolling interests (Note 13)	(9.7)	
Preferred share dividends	68.7	
Net income (loss) attributable to common shareholders	$ (8.1)	$ 60.4
Earnings (loss) per common share:		
Basic	$ (0.04)	$ 0.17
Diluted	$ (0.04)	$ 0.17
Weighted average shares outstanding		
Basic	202.2	352.2
Diluted	467.2	359.2
Dividends per common share	$ 0.09	$ 0.07

See accompanying notes to condensed consolidated financial statements.

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RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars)

(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net income (loss)	$ 50.9	$ 60.4
Foreign currency translation adjustment	(1,091.8)	(0.6)
Net change in fair value of net investment hedges, net of tax of $(68.1) and $0.2	386.2	(0.2)
Net change in fair value of cash flow hedges, net of tax of $19.4 and $21.7	(53.9)	(34.2)
Amounts reclassified to earnings of cash flow hedges, net of tax of $(0.6) and $(0.8)	1.5	1.2
Pension and post-retirement benefit plans, net of tax of $0.1 and $0	(0.1)	
Amortization of prior service (credits) costs, net of tax of $0.3 and $0	(0.4)	
Amortization of actuarial (gains) losses, net of tax of $(0.3) and $0.2	0.4	(0.5)
Other comprehensive income (loss)	(758.1)	(34.3)
Comprehensive income (loss)	(707.2)	26.1
Comprehensive income (loss) attributable to noncontrolling interests	(439.5)	
Comprehensive income (loss) attributable to common shareholders	$ (267.7)	$ 26.1

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders Equity

(In millions of U.S. dollars, except per share data)

(unaudited)

	Issued Common Shares			Accumulated Other Comprehensive		
	Shares	Amount	Retained Earnings	Income (Loss)	Noncontrolling Interest	Total
Balances at December 31, 2014	202.1	$ 1,755.0	$ 227.6	$ (111.7)	$ 2,452.3	$ 4,323.2
Stock option exercises	0.1	0.4				0.4

Share-based compensation		4.1				4.1
Issuance of shares	0.1	6.9				6.9
Dividend declared on common shares ($0.09 per share)			(18.2)			(18.2)
Distributions declared by Partnership on partnership exchangeable units ($0.09 per unit) (Note 13)					(23.8)	(23.8)
Preferred share dividends			(68.7)			(68.7)
Net income (loss)			60.6		(9.7)	50.9
Other comprehensive income (loss)				(328.3)	(429.8)	(758.1)
Balances at March 31, 2015	202.3	$ 1,766.4	$ 201.3	$ (440.0)	$ 1,989.0	$ 3,516.7

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In millions of U.S. dollars)

(unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Cash flows from operating activities:		
Net income (loss)	$ 50.9	$ 60.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	50.9	16.4
(Gain) loss on early extinguishment of debt	(0.3)	
Amortization of deferred financing costs and debt issuance discount	7.0	14.9
(Income) loss from equity method investments	(2.8)	4.0
Loss (gain) on remeasurement of foreign denominated transactions	18.1	0.5
Amortization of defined benefit pension and postretirement items		(0.8)
Net losses (gains) on derivatives	15.0	2.0
Net losses (gains) on refranchisings and dispositions of assets	1.2	1.8
Bad debt expense (recoveries), net	2.2	0.5
Share-based compensation expense	15.5	2.8
Amortization of cost of sales step-up	4.7	
Deferred income taxes	(38.0)	9.1
Changes in current assets and liabilities, excluding acquisitions and dispositions:		
Reclassification of restricted cash to cash and cash equivalents	79.2	
Trade and notes receivable	55.6	12.6
Inventories and other current assets	(3.0)	6.0
Accounts and drafts payable	24.4	9.9
Accrued advertising	(0.2)	(11.7)
Other accrued liabilities	5.8	1.4
Other long-term assets and liabilities	(24.5)	(4.5)
Net cash provided by operating activities	261.7	125.3
Cash flows from investing activities:		
Payments for property and equipment	(29.4)	(3.4)
Proceeds (payments) from refranchisings, disposition of assets and restaurant closures	4.5	(4.5)
Return of investment on direct financing leases	4.0	3.9
Settlement of derivatives	52.1	
Other investing activities, net	1.5	(0.2)
Net cash provided by (used for) investing activities	32.7	(4.2)
Cash flows from financing activities:		

Repayments of term debt, Tim Hortons Notes and capital leases	(1,020.6)	(19.1)
Dividends paid on common stock		(24.6)
Proceeds from stock option exercises	0.4	
Proceeds from issuance of shares	2.1	
Other financing activities	1.4	
Net cash provided by (used for) financing activities	(1,016.7)	(43.7)
Effect of exchange rates on cash and cash equivalents	(59.0)	(1.2)
Increase (decrease) in cash and cash equivalents	(781.3)	76.2
Cash and cash equivalents at beginning of period	1,803.2	786.9
Cash and cash equivalents at end of period	$ 1,021.9	$ 863.1
Supplemental cashflow disclosures:		
Interest paid	$ 88.5	$ 14.4
Income taxes paid	$ 42.9	$ 11.3
Non-cash investing and financing activities:		
Acquisition of property with capital lease obligations	$ 4.5	$

See accompanying notes to condensed consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Tabular amounts in millions unless noted otherwise)

Note 1. Description of Business and Organization

Description of Business

Restaurant Brands International Inc. (RBI, we, us and our) was originally formed on August 25, 2014 and continue under the laws of Canada. Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act), RBI is a successor issuer to Burger King Worldwide, Inc. RBI serves as the sole general partner of Restaurant Brands International Limited Partnership (the Partnership), the indirect parent of The TDL Group Corp. (f/k/a Tim Hortons ULC and Tim Hortons Inc.), a limited company existing under the laws of British Columbia that franchises and operates quick service restaurants serving premium coffee and other beverage and food products under the *Tim Hortons*® brand (Tim Hortons), and Burger King Worldwide, a Delaware corporation that franchises and operates fast food hamburger restaurants principally under the *Burger King*® brand (Burger King Worldwide). We are one of the world s largest quick service restaurant, or QSR, chains as measured by total number of restaurants. As of March 31, 2015, we franchised or owned a total of 19,111 restaurants in approximately 100 countries and U.S. territories worldwide. Approximately 100% of current Tim Hortons and Burger King system-wide restaurants are franchised.

The following table outlines our restaurant count and activity, by brand and consolidated, for the periods indicated.

	Tim Hortons	Burger King	System Wide
Total restaurants - December 31, 2014	4,671	14,372	19,043
Openings	63	102	165
Closures	(10)	(87)	(97)
Total restaurants - March 31, 2015	4,724	14,387	19,111

Excluded from the table above are 255 primarily licensed Tim Hortons locations in the Republic of Ireland and the United Kingdom as of March 31, 2015.

All references to USD or $ are to United States dollars, and all references to C$ are to Canadian dollars.

Note 2. Basis of Presentation and Consolidation

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements (Financial Statements) in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements. Therefore, the Financial Statements should be read in conjunction with the audited Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on March 2, 2015.

The Financial Statements include our accounts and the accounts of our wholly-owned subsidiaries. We consolidate entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. All material intercompany balances and transactions have been eliminated in consolidation. Investments in other affiliates that are owned 50% or less where we have significant influence are accounted for by the equity method.

We are the sole general partner of Partnership and, as such, we have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Partnership, subject to the terms of the partnership agreement of Partnership and applicable laws. As a result, we consolidate the results of Partnership and record a noncontrolling interest in our consolidated balance sheets and statements of operations with respect to the remaining economic interest in Partnership we do not hold.

We also consider for consolidation entities in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (VIE), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Our most significant variable interests are Tim Hortons advertising funds and in entities that operate restaurants under our subsidiaries franchise arrangements and certain equity method investees that operate as master franchisees. Our maximum exposure to loss resulting from involvement with potential VIEs is attributable to trade and notes receivable balances, outstanding loan guarantees and future lease payments, where applicable.

We do not have any ownership interests in our franchisees businesses, except for investments in various entities that are accounted for under the equity method. Tim Hortons has historically entered into certain arrangements in which an operator acquires the right to operate a restaurant, but Tim Hortons owns the restaurant s assets. In these arrangements, Tim Hortons has the ability to determine which operators manage the restaurants and for what duration. Tim Hortons previously also entered into interest-free financing in connection with a Franchise Incentive Program (FIP Note) with certain U.S. restaurant owners whereby restaurant owners finance the initial franchise fee and purchase of restaurant assets. In both operator and FIP arrangements, we perform an analysis to determine if the legal entity in which operations are conducted is a VIE and consolidate a VIE entity if we also determine Tim Hortons is the entity s primary beneficiary (Restaurant VIEs). Additionally, Tim Hortons participates in advertising funds which, on behalf of Tim Hortons Company restaurants and franchise restaurants, collect contributions and administer funds for advertising and promotional programs. Tim Hortons is the sole shareholder (Canada) and sole member (U.S.) in these funds, and is the primary beneficiary of these funds (the Advertising VIEs). As Burger King franchise and master franchise arrangements provide the franchise and master franchise entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might be a VIE.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim periods do not necessarily indicate the results that may be expected for any other interim period or for the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our Financial Statements and Notes to the Financial Statements. Management adjusts such estimates and assumptions when facts and circumstances dictate. Such estimates and assumptions may be affected by volatile credit, equity, foreign currency, energy markets and declines in consumer spending. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

During the three months ended March 31, 2015, amounts previously classified as restricted cash were reclassified to cash and cash equivalents as a result of removing contractual restrictions and our intent to no longer classify this cash as restricted. This reclassification is reflected as a source of cash provided by operating activities in the consolidated statement of cash flows for the three months ended March 31, 2015.

Certain prior year amounts in the accompanying Financial Statements and Notes to the Financial Statements have been reclassified in order to be comparable with the current year classifications. These reclassifications had no effect on previously reported net income.

Note 3. The Transactions

On December 12, 2014 (the Closing Date), a series of transactions (the Transactions) were completed resulting in RBI indirectly acquiring Burger King Worldwide and Tim Hortons (the Acquisition). The Acquisition was accounted for as a business combination using the acquisition method of accounting and Burger King Worldwide was determined to be the accounting acquirer. The primary reason for the Acquisition was to create one of the world s largest quick service restaurant companies.

The total consideration paid was $11,294.9 million and the purchase price allocation shown in the table below reflects preliminary fair value estimates based on management analysis, including preliminary work performed by third-party valuation specialists. We will continue to obtain information to assist in determining the fair value of net assets acquired at the Closing Date during the measurement period. Measurement period adjustments will be applied retrospectively to the Closing Date. During the three months ended March 31, 2015, no revisions to the preliminary purchase price allocation were made.

	December 12, 2014
Total current assets	$ 640.7
Property and equipment	1,778.0
Intangible assets	6,817.6
Other assets, net	92.5
Accounts payable	(228.2)
Advertising fund liabilities	(49.7)
Other accrued liabilities	(222.3)
Total debt and capital lease obligations	(1,233.8)
Other liabilities, net	(310.3)
Deferred income taxes, net	(1,251.7)
Total identifiable net assets	6,032.8
Noncontrolling interest	(1.1)
Goodwill	5,263.2
Total	$ 11,294.9

Note 4. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued an accounting standards update that amends accounting guidance on revenue recognition. Under this guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should disclose sufficient information to enable users of financial statements to understand the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. In early 2015, the FASB tentatively decided to defer for one year the effective date of the new revenue standard. The accounting standards update permits the use of either the retrospective or cumulative effect transition method. We are evaluating the impact of this accounting standards update on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the accounting standards update on our ongoing financial reporting.

In February 2015, the FASB issued an accounting standards update that changes the analysis that a reporting entity must perform to determine whether it should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early application permitted. We are currently evaluating the impact the adoption of this accounting standards update will have on our financial statements.

In April 2015, the FASB issued an accounting standards update that changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early application permitted. Other than the change in presentation, this accounting standards update will not have an impact on our consolidated financial position, results of operations or cash flows.

Note 5. Earnings (Loss) Per Share

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by dividing net income (loss) attributable to common shareholders and noncontrolling interests by the weighted average number of common shares outstanding, assuming all potentially dilutive shares were issued.

Basic and diluted earnings (loss) per share is computed using the weighted average number of shares outstanding for Burger King Worldwide shareholders for the three months ended March 31, 2014, and RBI shareholders for the three months ended March 31, 2015. Additionally, beginning on December 12, 2014, an economic interest in Partnership common equity is held by the holders of Class B exchangeable limited partnership units of Partnership (Partnership exchangeable units). From and after the one year anniversary of the effective date of the Transactions, the holders of Partnership exchangeable units will each have the right to require Partnership to exchange all or any portion of such holder s Partnership exchangeable units on a one-for-one basis for RBI common shares, subject to RBI s right as the general partner of Partnership, at RBI s sole discretion, to deliver a cash payments in lieu of RBI common shares. See Note 13, *Common Shareholders Equity*.

We apply the treasury stock method to determine the dilutive weighted average common shares represented by Partnership exchangeable units and outstanding stock options, unless the effect of their inclusion is anti-dilutive. The diluted earnings (loss) per share calculation assumes conversion of 100% of the Partnership exchangeable units under the if converted method. Accordingly, the numerator is also adjusted to include the earnings allocated to the holders of noncontrolling interests.

Basic and diluted earnings (loss) per share are as follows (in millions, except per share information):

	Three Months Ended March 31, 2015	2014
Numerator - Basic:		
Net income (loss) attributable to common shareholders	$ (8.1)	$ 60.4
Numerator - Diluted:		
Net income (loss) attributable to common shareholders	$ (8.1)	$ 60.4
Add: Net income (loss) attributable to noncontrolling interests	(10.7)	
Dilutive net income (loss) available to common shareholders and noncontrolling interests	$ (18.8)	$ 60.4
Denominator:		
Weighted average common shares - basic	202.2	352.2
Exchange of noncontrolling interests for common shares	265.0	
Effect of other dilutive securities		7.0
Weighted average common shares - diluted	467.2	359.2

Basic earnings (loss) per share	$	(0.04)	$	0.17
Diluted earnings (loss) per share	$	(0.04)	$	0.17
Anti-dilutive share options outstanding		24.9		3.6

Note 6. Inventories and Other Current Assets, net

Inventories and other current assets, net consist of the following:

	As of	
	March 31, 2015	**December 31, 2014**
Raw materials	$ 22.0	$ 25.4
Finished goods	76.3	74.7
Total Inventory	98.3	100.1
Deferred financing costs - current	20.2	20.5
Refundable and prepaid income taxes	18.3	18.3
Prepaid rent	5.5	13.5
Prepaids and other current assets	56.4	42.5
Inventories and other current assets, net	$ 198.7	$ 194.9

Note 7. Intangible Assets, net and Goodwill

Intangible assets, net and goodwill consist of the following:

	As of					
	March 31, 2015			**December 31, 2014**		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Identifiable assets subject to amortization:						
Franchise agreements	$ 750.2	$ (87.5)	$ 662.7	$ 790.4	$ (83.4)	$ 707.0
Favorable leases	390.1	(74.2)	315.9	412.7	(62.6)	350.1
Subtotal	1,140.3	(161.7)	978.6	1,203.1	(146.0)	1,057.1
Indefinite lived intangible assets:						
Tim Hortons brand	$ 5,750.6	$	$ 5,750.6	$ 6,217.0	$	$ 6,217.0
Burger King brand	2,090.5		2,090.5	2,167.0		2,167.0
Subtotal	7,841.1		7,841.1	8,384.0		8,384.0
Intangible assets, net			$ 8,819.7			$ 9,441.1
Goodwill	$ 5,360.2			$ 5,851.3		

We recorded amortization expense on intangible assets of $20.7 million for the three months ended March 31, 2015 and $8.8 million for the same period in the prior year. The increase in amortization expense from the prior year was due to amortization recorded on intangible assets acquired in connection with the Transactions. Identifiable assets subject to amortization also decreased as a result of foreign currency translation effect. The change in the brand and goodwill balances for the three months ended March 31, 2015 was due to foreign currency translation effect.

Note 8. Other assets, net

Other assets, net consist of the following:

	As of	
	March 31, 2015	**December 31, 2014**
Derivative assets - noncurrent	$ 570.6	$ 164.8
Deferred financing costs - noncurrent	132.8	138.5
Equity method investments	122.4	124.9
Other assets	110.8	102.2
Other assets, net	$ 936.6	$ 530.4

Note 9. Equity Method Investments

The aggregate carrying amount of our equity method investments was $122.4 million as of March 31, 2015 and $124.9 million as of December 31, 2014 and is included as a component of other assets, net in our condensed consolidated balance sheets.

With respect to our Tim Hortons (TH) business, the most significant equity investment is our 50% joint-venture interest with the Wendy s Company, which jointly holds real estate underlying Canadian combination restaurants. During the three months ended March 31, 2015, Tim Hortons received $2.4 million in cash distributions and recognized $4.9 million of contingent rent expense associated with this joint venture.

With respect to our Burger King (BK) business, most of the entities in which we have an equity interest own or franchise Burger King restaurants. Franchise and property revenue we recognized from franchisees that are owned or franchised by entities in which we have an equity interest consist of the following:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues from affiliates:		
Franchise royalties	$ 20.4	$ 18.3
Property revenues	7.0	6.4
Franchise fees and other revenue	1.2	1.1
Total	$ 28.6	$ 25.8

At March 31, 2015 and December 31, 2014, we had $16.4 million and $22.6 million, respectively, of accounts receivable from our equity method investments which were recorded in trade and notes receivable, net in our condensed consolidated balance sheets.

(Income) loss from equity method investments reflects our share of investee net income or loss. During 2015, we recorded a $10.9 million noncash dilution gain included in (income) loss from equity method investments on the issuance of capital stock by BK Brasil Operacao E Assesoria A Restaurantes S.A. (Brazil JV), one of our equity method investees. This issuance of capital stock reduced our ownership interest in the Brazil JV from approximately 25 percent to approximately 20 percent. The dilution gain reflects an adjustment to the difference between the amount of our underlying equity in the net assets of the Brazil JV before and after the issuance of capital stock.

Note 10. Other Accrued Liabilities and Other Liabilities, net

Other accrued liabilities and other liabilities, net consist of the following:

	As of	
	March 31, 2015	December 31, 2014
Current:		
Taxes payable - current	$ 103.2	$ 79.2
Accrued compensation and benefits	24.8	39.4
Interest payable	67.0	37.8
Restructuring and other provisions	34.9	29.5
Deferred income - current	24.8	27.8
Closed property reserve	14.4	15.2
Dividend payable	124.5	13.8
Other	71.4	76.1
Other accrued liabilities	$ 465.0	$ 318.8
Non-current:		
Unfavorable leases	$ 323.1	$ 355.2
Derivatives liabilities - noncurrent	118.9	25.6
Taxes payable - noncurrent	106.1	50.3
Accrued pension	62.4	62.9
Lease liability - noncurrent	33.3	35.2
Share-based compensation liability	21.0	34.8
Deferred income - noncurrent	27.2	28.1
Other	51.1	52.0
Other liabilities, net	$ 743.1	$ 644.1

Note 11. Long-Term Debt

Long-term debt consists of the following:

		As of	
	Maturity dates	March 31, 2015	December 31, 2014
2014 Term Loan Facility (a)	December 12, 2021	$ 6,625.9	$ 6,682.8
2014 Senior Notes	April 1, 2022	2,250.0	2,250.0
Tim Hortons Notes	various	43.1	1,044.8
Other	N/A	60.5	65.3
Total debt		8,979.5	10,042.9
Less: current maturities of debt		(18.5)	(1,106.2)

Total long-term debt	$ 8,961.0	$ 8,936.7

(a) Principal face amount herein is presented net of a discount of $64.5 million at March 31, 2015 and $67.2 million at December 31, 2014.

2014 Revolving Credit Facility

As of March 31, 2015, we had no amounts outstanding under the 2014 Revolving Credit Facility. Funds available under the 2014 Revolving Credit Facility for future borrowings may be used to repay other debt, finance debt or share repurchases, acquisitions, capital expenditures and other general corporate purposes. We have a $125.0 million letter of credit sublimit as part of the 2014 Revolving Credit Facility, which reduces our borrowing availability under this facility by the cumulative amount of outstanding letters of credit. As of March 31, 2015, we had $4.8 million of letters of credit issued against the 2014 Revolving Credit Facility and our borrowing availability was $495.2 million.

Tim Hortons Notes

At the time of the Transactions, Tim Hortons had the following Canadian dollar denominated senior unsecured notes outstanding: (i) C$300.0 million aggregate principal amount of 4.20% Senior Unsecured Notes, Series 1, due June 1, 2017 (Series 1 Notes), (ii) C$450.0 million aggregate principal amount of 4.52% Senior Unsecured Notes, Series 2, due December 1, 2023 (Series 2 Notes) and (iii) C$450.0 million aggregate principal amount of 2.85% Senior Unsecured Notes, Series 3, due April 1, 2019 (Series 3 Notes) (collectively, the Tim Hortons Notes). During the three months ended March 31, 2015, Tim Hortons accepted for purchase, and settled for cash, the following: (i) C$252.6 million Series 1 Notes; (ii) C$447.4 million Series 2 Notes and (iii) C$446.1 million Series 3 Notes, pursuant to tender offers made following the Transactions and rating downgrade of Tim Hortons below investment grade. At March 31, 2015, the carrying value of the following Tim Hortons Notes remain outstanding: (i) C$48.0 million Series 1 Notes; (ii) C$2.6 million Series 2 Notes and (iii) C$3.9 million Series 3 Notes.

At December 31, 2014, the entire outstanding amount of the Tim Hortons Notes were classified within current liabilities as we expected to fully redeem the Tim Hortons Notes during the first quarter of 2015. At March 31, 2015, the Tim Hortons Notes that remain outstanding are classified within long-term liabilities as we intend to hold these until maturity.

2014 Term Loan Facility

In accordance with the terms of the 2014 Credit Agreement, on March 12, 2015, we made a mandatory prepayment on the 2014 Term Loan Facility of $42.7 million equal to the U.S. dollar equivalent of the principal amount of Tim Hortons Notes that remained outstanding after 90 days following the Closing Date.

Interest Expense, net

Interest expense, net consists of the following:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
2014 Term Loan Facility	$ 75.8	$
2014 Senior Notes	33.8	
Tim Hortons Notes	1.9	
Tranche A Term Loans		6.2
Tranche B Term Loans		6.5
Interest Rate Caps		2.1
2010 Senior Notes		19.6
2011 Discount Notes		12.3
Amortization of deferred financing costs and debt issuance discount	7.0	2.6
Capital lease obligations	5.9	1.4
Other	0.9	0.2
Interest income	(1.4)	(0.9)
Interest expense, net	$ 123.9	$ 50.0

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Note 12. Income Taxes

During the three months ended March 31, 2015, the Company completed a series of transactions which resulted in a change to the company s legal and capital structure. The restructure impacts the comparability of the current period effective tax rate to prior period.

Our effective tax rate was 48.2% for the three months ended March 31, 2015. The higher rate during the current quarter was primarily due to the revaluation of certain monetary assets and liabilities as a result of changes in foreign currency exchange rates which had an unfavorable impact of approximately 19%. To a lesser extent the rate for the quarter was unfavorably impacted by certain non-deductible transactions costs. The remainder of the effective rate is primarily based on the mix of income from multiple tax jurisdictions.

Our effective tax rate was 25.7% for the three months ended March 31, 2014, primarily as a result of the mix of income from multiple tax jurisdictions.

Note 13. Common Shareholders Equity

Noncontrolling Interests

Noncontrolling interests represent equity interests in consolidated subsidiaries that are not attributable to us. As of March 31, 2015, the holders of Partnership exchangeable units held an economic interest of approximately 56.7% in Partnership common equity through 265,041,783 Partnership exchangeable units.

Pursuant to the terms of the partnership agreement, each Partnership exchangeable unit will be entitled to a distribution from Partnership in an amount equal to any dividends or distributions that we declare and pay with respect to each of our common shares. Additionally, each holder of a Partnership exchangeable unit is entitled to vote in respect of matters on which holders of our common shares are entitled to vote through a special voting share of RBI. Any time after the one year anniversary of the effective date of the Transactions, the holder of a Partnership exchangeable unit will have the right to require Partnership to exchange all or any portion of such holder s Partnership exchangeable units for our common shares at a ratio of one common share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership, in our sole discretion, to deliver a cash payment in lieu of our common shares. If we elect to make a cash payment in lieu of issuing common shares, the amount of the payment will be the weighted average trading price of the common shares on the New York Stock Exchange for the 20 consecutive trading days ending on the last business day prior to the exchange date.

We adjust the net income (loss) in our condensed consolidated statement of operations to exclude the noncontrolling interests proportionate share of results. Also, we present the proportionate share of equity attributable to the noncontrolling interests as a separate component of shareholders equity within our condensed consolidated balance sheet.

Accumulated Other Comprehensive Income (Loss)

The following table displays the change in the components of accumulated other comprehensive income (loss):

	Derivatives	Pensions	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
Balances at December 31, 2014	$ 4.7	$ (4.5)	$ (111.9)	$ (111.7)
Foreign currency translation adjustment			(1,091.8)	(1,091.8)
Net change in fair value of derivatives, net of tax	332.3			332.3
Amounts reclassified to earnings of cash flow hedges, net of tax	1.5			1.5
Pension and post-retirement benefit plans, net of tax		(0.1)		(0.1)
Amortization of prior service (credits) costs, net of tax		(0.4)		(0.4)
Amortization of actuarial (gains) losses, net of tax		0.4		0.4
OCI attributable to noncontrolling interests	(189.3)		619.1	429.8
Balances at March 31, 2015	$ 149.2	$ (4.6)	$ (584.6)	$ (440.0)