Statement of Joshua Kobza, Chief Financial Officer
Restaurant Brands International
for the
Permanent Subcommittee on Investigations,
U.S. Senate Committee on Homeland Security
July 30, 2015

Chairman Portman, Ranking Member McCaskill and Members of the Subcommittee:

My name is Josh Kobza. I currently serve as Chief Financial Officer (CFO) of Restaurant Brands International (RBI) and most recently worked in the same capacity at Burger King Worldwide (Burger King). I am here today to discuss the recent Burger King-Tim Hortons transaction, which created one of the world's largest "quick service restaurant" (QSR) chains. I understand that the Subcommittee is reviewing the effect of the corporate tax code on U.S. businesses and on cross-border mergers and acquisitions. While this transaction, like all cross-border combinations, had certain tax implications, the marriage of these two iconic brands of similar size under the RBI umbrella was motivated by compelling business reasons rather than tax strategies.

And now, about seven months after closing our transaction, I'm pleased to report that the combined company has been performing beyond our expectations prior to the combination. Both brands are experiencing some of the best growth they've had in years, across each of their large markets. In particular, Burger King has had its best sales growth in the U.S. in approximately ten years, with same store sales up approximately 8% in the latest quarter and is seeing significant growth in franchisee profitability. Tim Hortons has also continued to accelerate its growth in Canada, while bringing greater resources and focus on growing Tim Hortons outside of Canada, particularly in the U.S., which we view as our largest growth opportunity in the world.

Burger King & Tim Hortons: Two Iconic Brands with Complementary Footprints

From the beginning, our vision centered on combining two iconic brands that occupy a distinct space in the QSR landscape—both geographically and in their menu offerings—to create new and exciting opportunities for the future.

Burger King is the world's second largest fast food hamburger restaurant, with over 14,000 restaurants in approximately 100 countries and U.S. territories. Burger King's restaurants are limited service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks and other affordably-priced food items. During Burger King's nearly 60 years of operating history, the company has developed a scalable and cost-efficient quick service hamburger restaurant model that has been replicated all over the world.

Tim Hortons is the largest Canadian-based QSR and has nurtured a strong and loyal customer base, with approximately 45% of all QSR traffic in Canada occurring at a local Tim Hortons. The first restaurant was opened in 1964 by Tim Horton, a National Hockey

League All-Star defenseman. Tim Hortons appeals to a broad range of consumer tastes, with a menu that primarily focuses on premium blend coffee and a broad selection of breakfast items and snacks—including donuts, Timbits® and other fresh baked goods. Tim Hortons strong breakfast menu is a particularly important asset given that breakfast is one of the fastest growing categories in QSR and is a highly complementary offering to Burger King's menu in the U.S.

Our new RBI family now includes over 19,000 restaurants in approximately 100 countries. The geographic breadth outside of North America is largely attributable to a concerted effort by Burger King to expand its international presence in order to secure long-term growth in new markets. Today, more than half of Burger King's restaurants are located outside the U.S. While Tim Hortons previously has had a limited footprint outside of Canada, we see a significant opportunity to grow this iconic brand and unique operating model in attractive markets all around the world, beginning in the U.S.

Building a Platform for Jobs & Growth

The transaction with Tim Hortons can be traced back to mid-2013, when our senior management team began to evaluate future alternatives for growth and enhancement of shareholder value, including potential strategic transactions. As part of this effort, we explored the possibility of acquiring another company in the QSR space, which would benefit from our expertise and complement our market presence**.**

Through our search for a brand that would complement our business and create additional opportunities for growth, we identified Tim Hortons as an excellent choice—a high-quality business with an incredibly strong brand and complementary menu offerings, where we could add significant value by leveraging Burger King's worldwide operating partner networks and experience in global development.

Due to the highly iconic nature of each brand, we structured the transaction in a way that honored the history and roots of both companies. Specifically, Burger King's headquarters remains in Miami, Florida and Tim Hortons remains in Oakville, Ontario, with separate management to ensure the integrity of each brand. Burger King is committed to its home state of Florida and to the approximately 300 employees associated with its global headquarters, as well as the field employees who assist local franchisees across the country.

We were convinced that the pairing of both brands would unlock significant opportunities to promote jobs and growth in the U.S., while leveraging greater global scale and savings to benefit customers and franchisees.

On this point, I am pleased to report that with the transaction closing behind us, we are working hard to grow the Tim Hortons brand in the U.S., which will continue to create new franchise opportunities and jobs, as well as an expanded U.S. tax base, in the future. We plan to open hundreds of new restaurants across the U.S. market, attracting tens of millions of dollars in investment and creating thousands of new jobs.

Business Realities Drove this Deal Forward

As CFO during discussions between Burger King and Tim Hortons, I was responsible for working with our professional advisors to explore how to structure a potential transaction. As these structuring discussions progressed, it became clear that a combined Burger King-Tim Hortons company should be domiciled in Canada.

The business case for this transaction was always clear to us, and closing the deal required careful calibration of the terms and structure of the transaction. Both the Tim Hortons brand and the Burger King brand are revered institutions in their country of origin. But given that Canada is the country with the highest concentration of employees, assets and income for the combined company, Canada was the logical choice to be the domicile of the newly formed entity.

Additionally, the Board of Directors for Tim Hortons at first declined to discuss any possible combination and was reluctant to engage in serious negotiations until our proposal contained both a higher price and commitment to locating the combined company in Canada. Throughout our discussions with the company's board and management, it was made clear to us that domiciling the company in Canada was critical to concluding the deal.

Under the transaction, Burger King remains a U.S. taxpayer with an unwavering commitment to our Miami headquarters, the surrounding community and our U.S. franchisees. When compared to the 26% effective tax rate paid by Burger King prior to the transaction, our current effective tax rate is only slightly lower—in the range of a 3% rate reduction. This modest impact underscores a crucial point: joining Burger King and Tim Hortons together was fundamentally about growth. Tax considerations were never the driving force for our transaction. Rather, our primary motivation was to realize the greater business potential of combining these two iconic and complementary brands. As a combined company, we are focused on accelerating our growth. Our goal continues to be to grow our business and our brands alongside our franchisees, employees and other partners over the long-term.

In closing, we understand that in recent years, the policy discussion regarding the role of tax considerations in corporate mergers and acquisitions has become more prevalent. In this regard, we welcome the ongoing bipartisan efforts to make the U.S. tax system more competitive to level the playing field.