MEMORIAL UNIVERSITY

**CFA Institute Research Challenge 2026**

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EQUITY RESEARCH · INITIATION

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# Restaurant Brands International (NYSE: QSR)

**BUY** Target US$82 · Upside +11%

## Four brands, one royalty engine, and a turnaround that is working

**Restaurant Brands International owns Tim Hortons, Burger King, Popeyes and Firehouse Subs. More than 95% of its restaurants are franchised, so RBI earns royalties of 3–6% of sales on contracts of 10–20 years and generated US$1.6B of free cash flow in 2025. Our three-part thesis rests on the Burger King U.S. turnaround, capital-light international growth, and the downside protection of the franchise model.**

### INVESTMENT THESIS

**I. Burger King U.S. turnaround.** U.S. comparable sales turned positive, +3.2% in Q3 and +2.6% in Q4 2025, ahead of peers. The US$700M "Reclaim the Flame" plan is fully funded, with US$300M+ spent: 58% of restaurants are now modernized (from 51%) and remodels lift first-year sales 13.3%. Refranchising is ahead of schedule, turning that spend into royalties.

**II. International growth funded by partners.** International comparable sales rose 4.9% in 2025 (+6.1% in Q4) and segment operating income 30.5% in Q4. The 16,403 international restaurants are half the system, and master franchisees fund the build-out: BK China's new partner is investing US$350M to reach 4,000+ units by 2035 with no RBI capital. RBI targets 5%+ net restaurant growth through 2028.

**III. The franchise model protects the downside.** Organic operating income has grown 8%+ for three years. RBI returned US$1.1B in 2025 and plans a US$500M buyback plus a US$2.60 dividend in 2026, while taking leverage from 4.2x to the low-to-mid 3s by 2028.

### WHY THE OPPORTUNITY EXISTS

The market worries that GLP-1 weight-loss drugs, a market forecast to reach US$254B by 2034, will shrink fast-food visits. Our work suggests RBI is less exposed than the category: users shift to smaller, protein-rich portions and snack less, which fits Firehouse's high-protein subs and Tim Hortons' smaller items, and half the system sits outside the U.S. At US$73.36 the stock trades below the 17.1x peer average on 2026E EBITDA.

### VALUATION

The target blends a five-year DCF with perpetuity growth (40%), the same DCF with a 16.0x exit multiple (40%) and peer EV/EBITDA (20%). The DCF uses a 7.19% WACC (8.93% cost of equity on a peer beta relevered to RBI's debt) and 3.0% terminal growth. The perpetuity method is the most sensitive: half a point on WACC moves it from US$70 to US$98, so the exit-multiple DCF and comps anchor the target.

### KEY RISKS

- **Price sensitivity and inflation.** U.S. ground beef was up 12% year over year in mid-2025; Burger King risks losing price-sensitive guests. Mitigants: "2 for $5" and "3 for $7" value deals, and Tim Hortons pricing below Starbucks.
- **Franchisee health.** Sailormen, a 136-unit Popeyes franchisee, filed for Chapter 11; RBI has moved weak operators' restaurants to stronger ones before, as with Carrols.
- **Leverage.** Net leverage of 4.2x leaves less room if U.S. traffic weakens.

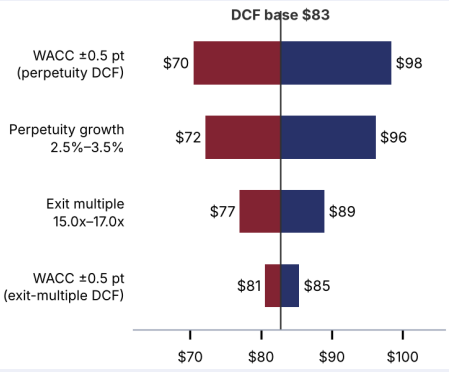
### KEY DATA

| | |
|---|---|
| Price (9-Mar-2026) | **US$73.36** |
| Target price | **US$82** |
| Shares (incl. LP units) | **457M** |
| Market cap | **US$33.5B** |
| Net debt | **US$14.5B** |
| Enterprise value | **US$48.0B** |
| 2026 dividend / yield | **US$2.60 / 3.5%** |
| Net leverage | **4.2x** |
| WACC / g / exit | **7.19% / 3.0% / 16.0x** |

### VALUATION BUILD (US$ PER SHARE)

| | | |
|---|---|---|
| DCF, perpetuity growth | 40% | $83 |
| DCF, 16.0x exit multiple | 40% | $83 |
| Peer EV/EBITDA, 17.1x | 20% | $77 |
| **Blended target** | | **$82** |

### WHAT MOVES THE DCF VALUE




From the sensitivity tables in our model; one input moved at a time. Maroon: downside; navy: upside.

### WHAT TO WATCH

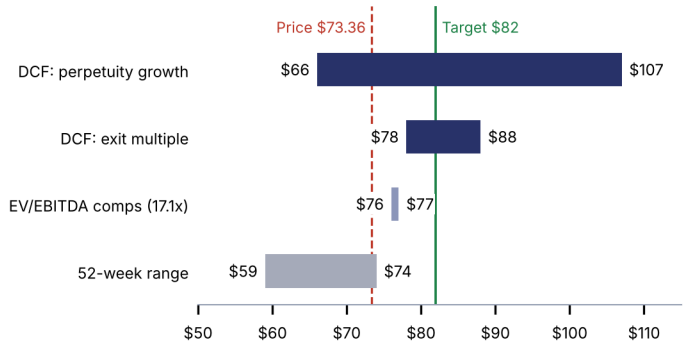
- **Burger King U.S. comps** and remodel progress each quarter.
- **BK China** unit growth under the new partner.
- **US$500M buyback** and US$2.60 dividend in 2026.
- **Deleveraging** toward the low-to-mid 3s by 2028.

### FINANCIAL SUMMARY (US$M, DECEMBER YEAR-END)

| | 2025A | 2026E | 2027E | 2028E | 2030E |
|---|---|---|---|---|---|
| Revenue | 9,434 | 10,205 | 10,812 | 11,487 | 12,888 |
| *Growth* | *12.2%* | *8.2%* | *6.0%* | *6.2%* | *5.9%* |
| **EBITDA** | **n.m.*** | **2,979** | **3,172** | **3,378** | **3,814** |
| *Margin* | *n.m.* | *29.2%* | *29.3%* | *29.4%* | *29.6%* |
| Unlevered free cash flow | 1,609 | 1,749 | 2,022 | 2,165 | 2,477 |
| EV / EBITDA at US$73.36 | n.m. | 16.1x | 15.1x | 14.2x | 12.6x |

*FY2025 EBITDA in our historical data is on a different basis from the forecasts and is not comparable. Source: RBI filings, team estimates.

### VALUATION SUMMARY (US$ PER SHARE)




**Sources:** RBI 10-K and Q4 2025 results; company investor materials; BMO Capital Markets (GLP-1 forecast); McKinsey & Company; National Restaurant Association; U.S. Bureau of Labor Statistics; FactSet and Bloomberg (peer multiples, betas); team estimates. Prices and data as of 9-Mar-2026. Prepared by Memorial University students for the CFA Institute Research Challenge for educational purposes; not investment advice.