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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Tim Hortons third-quarter 2014 analyst conference call. During the presentation, all participants will be in a listen-only mode. Afterwards, we will conduct a question and answer session. As a reminder, this conference is being recorded and will be available on the investor relations section of the Tim Hortons' website following the call.

It is now my pleasure to turn the conference over to Scott Bonikowsky, Senior Vice President of Corporate Affairs and Investor Relations at Tim Hortons. Please proceed.

Scott Bonikowsky - *Tim Hortons Inc - SVP of Corporate Affairs and IR*

Thanks, Operator.

Good morning, everyone, and welcome to the Tim Hortons third-quarter 2014 analyst call. We released our results earlier this morning before the market opened. To access our earnings material and a presentation supporting today's discussion, please visit the investor relations section of our website and click on the events and presentations tab.

Marc Caira, our President and Chief Executive Officer, along with Cynthia Devine, our Chief Financial Officer, will be joining me on the call this morning.

Tim Hortons is involved in the proposed transaction involving 3G Capital and Burger King Worldwide and its affiliates. Amended Form S4 registration statements with detailed information related to that transaction have been filed in the past couple of weeks.

The focus of our call today is our third quarter financial results and we will not be providing updates on the status of the transaction or commentary on the proposed new public company that will be created if the transaction is completed. We would ask you to respect that as we will not be fielding questions on the transaction at the end of this call.

Following our prepared remarks, we will be pleased to take questions on the topic of our third quarter results. As usual, we will ask each participant to limit themselves to one question so that we have the opportunity to address as many questions as possible during the call.

Please note that we may provide forward-looking information this morning, including discussions about planned initiatives, our strategic plan, future performance, results and outlook based on our current expectations, assumptions and information, including information about our restaurant development plans, same-store sales expectations, earnings performance, 2014 outlook and targets, and operational initiatives. Forward-looking statements are based on a number of assumptions. They contain risks and uncertainties, and our actual results and activities could differ materially from these statements.

Please refer to the Safe Harbor statement on our investor website and in our supporting presentation, and refer to the risks and assumptions outlined in our public disclosures. All Tim Hortons results are presented in accordance with US GAAP and reported in Canadian dollars unless otherwise noted. Today's discussion of supporting presentation include adjusted operating income and adjusted earnings per share, which are non-GAAP financial measures. Reconciliation of these non-GAAP measures and their most directly comparable GAAP financial measures, as well as other information relating to our use of these non-GAAP measures, is included in the presentation.

I will now turn the call over to Marc Caira. Marc.

Marc Caira - *Tim Hortons Inc - President and CEO*

Thank you, Scott, and good morning, everyone.

As Scott said, our focus today will be on our third quarter results and it was a very strong quarter. In fact, one of the best quarters in recent memory. We have good momentum in our business. Effective execution against our strategic priorities has been the key to our success in the third quarter.

Roughly eight months ago we unveiled our new strategic plan titled Winning in the New Era. That is not a lot of time in the context of a five-year plan. It's also important to remember that we said 2014 was a foundational year to establish longer term building blocks, but even at this early stage I am very pleased with our team's focus and execution on building a strong base to support our existing and future growth. I believe we are seeing the early rewards of the hard work in the past months.

I would like to spend some time reviewing the highlights of the implementation of our strategic plan with emphasis on the initiatives that have already made an impact on our results. The theme of our strategic plan was to position Tim Hortons for continued success in the new era of low growth, intense competition, new technologies, changing demographics, and evolving consumer tastes. In Canada, we were determined to build on our leadership position, to defend our core business and to grow in new ways. Our key objective in our home market was to narrow the gap in average check between ourselves and our QSR peers.

In the third quarter our Canadian segment achieved its highest same-store sales growth rate in more than two years on the strength of an increase in average check. Part of the average check growth is due to the introduction of premium products such as the crispy chicken sandwich, Greek yogurt, and premium beverages and baked goods. Many of our guests are trading up for these new innovative products that still deliver great value for them.

Average check also increases when people order more items. We have driven this by offering more compelling side dishes like the new hash browns and kettle chips. We are also actively promoting combo orders through our digital menu boards and pricing incentives. We have seen increased combo penetration, particularly in the breakfast day part. We said we would extend our brand reach in Canada, and I believe we're executing well on our plan to do so.

Our accelerated renovation program is ongoing. We're on track to significantly exceed the nearly 300 renovations we completed in Canada last year. By the end of our five-year strategic plan period, we expect more than 80% of the chain to exhibit the new look and feel which our guests find inviting and comfortable.

We identified urban core areas as an underserviced market for us. Our initial focus has been on downtown Toronto where we are on track for approximately 20 new locations in the 12 months ending this December. Most of our urban locations feature a smaller footprint, lower capital costs, and in some cases a tailored menu geared to meet the needs of our guests at these locations.

Another way to extend our reach is to sell into new channels. In the third quarter our single-serve coffee became widely available in grocery stores throughout Canada. We expect to claim a significant share of this market over time.

Turning to the US market, our strategic plan emphasized two key objectives. First, at our existing restaurants our focus has been on increasing average unit volumes. We said we intended to do this through menu innovation and by building on the high awareness and strength in the breakfast day part to encourage additional trial and loyalty at other day parts.

We have made good progress in terms of recent US same-store sales results. Same-store sales growth of 5.9% in the second quarter was the highest we had seen since early 2012, and we improved on that further with 6.8% same-store sales growth in the US in the third quarter.

These results have been driven by an active marketing calendar and new product launches. The breakfast day part benefited from the promotion of a new maple flatbread and biscuit hot breakfast sandwich. In the cold beverages category we continue to promote frozen hot chocolate, as well as Oreo flavored iced capp. As we headed into autumn, we promote pumpkin-themed lattes and baked goods as well as dark roast coffee, which I will return to in a moment.

I should note that we also introduced single-serve coffee in grocery stores in the US earlier this year and we continue to expand our grocery presence. Our at-home offerings are also widely available through online channels.

Our second major objective in the US related to new restaurant development is to reduce capital intensity in part through area development agreements with well-capitalized and well-positioned partners. This morning we announced an agreement for 10 new restaurants in New Jersey over five years, bringing our total number of development agreements in the US to seven since our strategic plan was developed, representing 145 new restaurants over the next five to ten years.

Although we are still in the early days of this initiative, we are very pleased to have new partners of such high quality interest and commitment to our brand. We will continue to engage new partners but in a very pragmatic and responsible manner, ensuring that we deliver profitable and sustainable growth.

I have covered the specific strategic objectives in our two primary markets. There are number of additional priorities featured prominently in our strategic plan that relate to both markets. We talked about differentiated innovation and the need to continue to update our menu with new products that are relevant to today's consumer.

Before we could make serious inroads, we embarked on a simplification exercise. We have removed more than 50 low-volume items from our menus, clearing the way for us to add new items without burdening our restaurants with increased complexity. Simplification will be embedded in the culture of our Company as we continue to move forward.

2014 has been an exciting and successful year for product innovation. With two months left in the year, we've already increased our number of new product launches by 80% compared to 2013. That has led to a similar increase in the restaurant level sales from new products over last year.

In the third quarter we extended the popular crispy chicken category with the spicy version. We introduced steak and egg breakfast sandwiches and brought back last year's steak and cheese panini as a permanent item. Our steak products are now made with 100% Canadian beef in Canada and 100% Angus beef in the US, features that are important to our guests.

The highest profile introduction in the quarter was our dark roast coffee which launched chain wide in both Canada and the US in September following successful pilots. This is a crucial part of our long-term coffee leadership strategy. This product is still new, but we are encouraged by the early results.

Our research suggests that a meaningful number of our guests intend to order dark roast exclusively, and a larger percentage plans to order it at least occasionally. Another important finding is that many of our guests plan to visit our restaurants more frequently as a result of dark roast. Previously, if they wanted a darker blend they had to visit a competitor.

The need for innovation applies beyond menu offerings. Our strategic plan also emphasizes the importance of leveraging new technologies. The impact of technology innovation can be far-reaching, ranging from an enhanced guest experience to improved operational effectiveness to actionable customer insights.

In 2014, we have rolled out a number of exciting initiatives with technology components, most of which we have spoken about previously. TimsTV has now been rolled out to 95% of our Canadian locations. It improves the in-restaurant experience and increases engagement with the brand. Longer term, it will offer a modest contribution.

We expanded the mobile payment capabilities of our TimmyMe app to improve speed of service and offer our guests more choices. We officially launched the Double Double payment card at the start of quarter three with our partners, CIBC. This is our first real entry into the loyalty space, and the card is been very successful with consumers. All of these initiatives are very innovative.

In the case of the Double Double card and the TimmyMe app, our partners were recognized last month with awards given by this Canadian Payment Industry. We've also received direct recognition from our guests and other stakeholders. Several of our recent marketing efforts went viral, including a video celebrating the launch of dark roast that attracted over 2.8 million viewers.

We turned a residential home in Calgary into a functioning Tim Hortons for our very well received Tim's Next Door campaign, which was targeted at recruitment of restaurant staff in western Canada. And, most recently, Tim Hortons was named brand of the year by Strategy Magazine, one of Canada's top marketing publications.

These examples are of interest not because of the recognition, but because they demonstrate an evolution in our thinking. We've declared that we want to be bold, daring and different. We know we can't win in the new era by doing things the same way we've always done them. We understand that we have to continue to adapt in order to further engage with today's youth. That means changing the way we communicate and share content, providing more options to use mobile devices and evolving our menu to reflect the importance of nutrition, health, and wellness.

In these areas as well as all of the other strategic initiatives I outlined, I believe we are making very good progress. This is reflected in our third quarter performance which Cynthia will review momentarily. More importantly, in my view the work we are doing is creating the foundation for long-term sustainable profitable growth. I believe Tim Hortons is very well positioned in Canada and increasingly in the US, and we believe there is great opportunity for Tim Hortons to succeed in the international markets.

We recently celebrated our Company's 50th anniversary. We are now firmly poised to begin the next phase of our growth journey and continue this remarkable story.

I will now ask Cynthia to provide some details on our financial performance in the third quarter. Cynthia.

Cynthia Devine - *Tim Hortons Inc - CFO*

Thanks, Marc, and good morning, everyone.

We reported very strong results after adjusting for the impact of the transaction costs across all of our key metrics in the third quarter, reflecting solid fundamentals in our Business. Overall system-wide sales growth of 7.5% on a constant currency basis was a key driver of our performance. We generated system-wide sales growth of 6.9% in Canada and 12.8% in the US.

In each market same-store sales was the key driver, building on the momentum we established in the second quarter. Same-store sales grew by 3.5% in Canada. An increase in average check accounted for the growth with pricing and mix making a roughly equal contribution. Same-store transactions experienced a modest decline with trends improving as the quarter progressed. We continued to grow system-wide transactions as we added 165 net new restaurants since the end of Q3 2013. All of our key food categories contributed positively to same-store sales in Canada, including breakfast, lunch, and the snacking day parts.

The full roll out of our dark roast blend in September contributed to improved trends in the coffee category. Our US same-store sales grew by a robust 6.8% in the quarter. Similar to Canada, the growth was driven mainly by an increase in average check split evenly between pricing and mix, and in the US same-store transactions also made a positive contribution to our growth. Breakfast was the biggest contributor to same-store sales growth, but numbers were positive in almost all categories.

We'll turn now to our revenue, which we show on slide 14 of today's presentation. Distribution sales increased by 12.8%. System-wide sales growth was the largest driver of that increase. The distribution sales also benefited from favorable product mix and sales of our single-serve products through to the grocery channel. Commodity-related pricing also contributed to the increase. Rents and royalty revenue grew by 8.6%. This was slightly ahead of our system-wide sales growth in part due to a reduction in relief provided to restaurant owners in certain markets primarily in the US.

Franchise fee revenue increased by 17.4%, due to a higher level of restaurant development and renovation primarily in Canada. Franchise fee costs had a similar increase, as you will see on slide 15.

We're going to move to transaction costs. As we outlined in our news release, there's a CAD27.3 million charge related to our proposed transaction involving 3G Capital and Burger King Worldwide. This expense has a direct impact on our operating income and also on our net income, as we cannot currently realize the benefit of the tax deduction associated with these costs.

As we've previously described, we are also not able to realize a full tax benefit for the interest expense associated with the new debt we issued over the past year. So, as a result of this, we had a significant increase this quarter in our effective tax rate. Absent the third quarter transaction costs, we would've reported solid growth in profitability as you can see from the adjusted numbers on slide 16. I will note that these figures are non-GAAP measures and you should refer to slide 21 for details on how they reconciled to the most closely comparable GAAP figures.

Adjusted operating income grew by 15.5% while adjusted earnings per share was up 25.2%. Both increases were driven primarily by growth in system-wide sales. Adjusted EPS also benefited from the effects of our recapitalization and associated share repurchase program which led to about an 18 million share reduction in our average outstanding share count since the third quarter of last year. I will note that our share repurchase program was terminated in late August when we announced the transaction.

At this point, I will turn to the performance of our operating segments in the third quarter, which are summarized on slide 17. In the Canadian segment, operating income grew by 9.2% to CAD196.2 million. System-wide sales growth led to higher rents and royalty income and higher allocation of supply chain income. We also had a decrease in G&A expenses in Canada primarily due to the recognition of breakage income related to dormant balances on long outstanding Tim Cards partially offset by Tim Card program costs.

Operating income in the US segment was CAD7.4 million, up CAD4.7 million from Q3 2013. Same-store sales growth was a key driver of the improved profitability. As similar to last quarter, reduced relief to restaurant owners was also an important driver of the improvement. Relief decreased due to the strong same-store sales growth, as well as other relief reduction measures we described last quarter. US operating income growth also benefited from CAD2.5 million asset impairment charge we incurred in the third quarter of last year.

We continue to be very encouraged by the progress shown in our US market. Year-to-date, segment operating income of CAD21 million is up significantly from the CAD6.2 million in the comparable period of 2013.

We made one other announcement this morning and that was the declaration of a dividend by our Board of Directors in the amount of CAD0.32 per share. This dividend declaration reflects the strong cash flow that our business continues to generate.

Now, I will conclude my remarks with some high-level observations. As our third quarter results demonstrate, we continue to see very good progress in our Business towards the achievement of our strategic objectives. The same-store sales growth rates are among the most encouraging figures. Not only do they help drive improved results for both the Company and our restaurant owners, but we believe they validate that our guests are responding favorably to the many new initiatives that we've undertaken in the business.

We also pleased to see the improved traction in our US business in keeping with our strategic plan. The benefits of deploying our strong cash flow towards the recapitalization are becoming increasingly clear as EPS growth out paces our other profitability measures. For all of these reasons, as well as the strategic plan initiative that Marc described, I am confident that Tim Hortons is well positioned to continue to deliver solid returns to its investors over the life of the strategic plan.

Now, with that, I will turn it back over to Scott.

Scott Bonikowsky - *Tim Hortons Inc - SVP of Corporate Affairs and IR*

Okay. Thanks, Cynthia. We are now ready for the Q&A portion of the call. I would like to remind everyone to please restrict your questions to the topic of our third quarter results and to limit yourselves to one question. And, Operator, with that please proceed with the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Andrew Charles of Bank of America Merrill Lynch.

Andrew Charles - *BofA Merrill Lynch - Analyst*

Great. Thank you. Marc, I wanted to touch on the GCC segment which is growing nicely. How are you building brand awareness in that market? Do you compete with local or westernized brands? What are the volumes? Are they above our below the US average?

Marc Caira - *Tim Hortons Inc - President and CEO*

Thank you. Good morning, Andrew. We're very happy with our progress in that part of the world, and as I've said in the past, when we go into these new areas first and foremost we align ourselves with the right types of partners and in this case we definitely have the right partnership. We've been together now for a number of years. We have a plan in place that we're executing towards. The total number of restaurants will be in excess of I believe 200 - 220 restaurants in total.

Together with our partner we continue to build brand awareness in that part of the world, and together with our partner we also continue to develop products that are preferred also in that part of the world. So, we're very happy, we're learning, and we also said that in the past.

This is really our first international market, if you exclude the US obviously, that we went into. So, part of the reason for going there was to learn. We're learning a great deal and we're going to take that learning and we're going to apply that to other markets as we roll out.

In terms of providing and the numbers at this point in time, I don't think we can do that but, again, the remark is that we're very happy with how things are progressing and we'll take the learning and apply it to other parts of the world.

Cynthia Devine - *Tim Hortons Inc - CFO*

Just in terms of marketing initiatives in that market, you see a lot of similar local programs that we do here in Canada and the US as well as radio and the partner is very active in billboards, just very similar to local-type initiatives that you would see in any of our developed and developing markets here North America.

Marc Caira - *Tim Hortons Inc - President and CEO*

Again, we said this also in the past, there's no such thing as the global consumer. So for us to believe that we can manage that part of the world out of Oakville would be somewhat naive. So, again, really having the right partners and then moving from there.

Andrew Charles - *BofA Merrill Lynch - Analyst*

Okay. And if I can slip one more in. Cynthia, the cost of goods line was better than we expected. Would you characterize this as a mostly benefit from lower commodity costs? What role, if any, are efficiencies from three channel distribution as discussed on the analyst day providing?

Cynthia Devine - *Tim Hortons Inc - CFO*

There's a number of factors that go into it and you have to really look at the sales and cost of sales line together, but there are some favorable product mix. There are sales of single serve going into our grocery channel.

We continue to drive efficiencies throughout supply chain and look for opportunities to do that through our distribution business. I think it's a combination of things that have driven that, but it's also sometimes on a quarterly basis you can have some fluctuation versus the prior year.

As you'll recall, we lock our prices to our restaurant owners over sometimes a six- or eight-month period and sometimes you'll have fluctuations in certain commodity costs in one particular quarter, and then you'll have an offset in another quarter. On a year-to-date basis, our cost of sales as a percentage of sales is higher than it is in the third quarter, but those fluctuations existed in prior years as well and you can't really necessarily just look at quarterly basis as it relates to the supply chain portion of our business.

Operator

Michael Van Aelst of TD Securities.

Michael Van Aelst - *TD Securities - Analyst*

Thank you, and actually on that topic, Cynthia, when you talk about the reversal of the unfavorable product margins and the supply chain, is that -- I guess are you able to give us any color on the products and commodities in particular that were causing that and that swing, favorable swing this quarter, and is the current profitability more in line with the go- forward rate or is it -- should we be looking more at a trailing 12 or year to date?

Cynthia Devine - *Tim Hortons Inc - CFO*

It really varies across the board, Mike, in terms of product. Like you have some products where commodity costs have gone up like proteins, but again they may go up in a particular quarter and our pricing may be stretched over a longer period of time with our restaurant owners, and then you have coffee which versus 2013 if you'll recall our coffee costs are down in 2014 slightly from where they were 2013, and as we look out to 2015 I think we've mentioned it before that commodities are expected to rise, but it really is some variation by product, nothing specific other than what I've highlighted.

But I would expect instead of looking at a quarterly I would look at a year-to-date number or full-year numbers, trailing 12 months, those types of things because you can have some fluctuations quarter to quarter and it's more accurate to look at it over a longer period of time.

Michael Van Aelst - *TD Securities - Analyst*

Alright. Thank you. And on the same-stores sales, the strong same-store sales numbers, is it possible to try and rank the importance of some of the drivers like the new product innovation, the renovations, the flow improvements you've made in the store and at the drive through, things like that, and maybe which of those we might have yet to see much impact or the full impact of?

Marc Caira - *Tim Hortons Inc - President and CEO*

I don't think you can just pick one is more important and the other. If you refer back to the strategic plan, it's a holistic plan that incorporates a lot of things. First and foremost, important for me is the alignment of our people behind our strategic plan and buying into the priorities.

Secondly is being able to renovate our restaurants so that we remain relevant with our consumers. Thirdly, differentiated innovation that you're seeing a lot of, often the guest experience at the restaurant level.

So, in today's era, we need to do all these things. You can't just think that you're going to do one or two and be able to compete and compete effectively. So for us these are all important and we expect all of us to really drive all these drivers to get the performance that hopefully you're to starting to see now.

Operator

Jim Durran of Barclays.

Jim Durran - *Barclays Capital - Analyst*

I was just wondering with respect to your new store growth plans whether there's been any change in what you're pursuing now given that we're waiting for the potential closing of the Burger King transaction?

Marc Caira - *Tim Hortons Inc - President and CEO*

We're clearly executing the strategic plan the way that it was presented and the good news that we're all happy with is that we're on track to do that.

Jim Durran - *Barclays Capital - Analyst*

And then on the dark roast coffee, how meaningful a contribution would it have had to comp store sales at this point?

Marc Caira - *Tim Hortons Inc - President and CEO*

The dark roast, well obviously you know my excitement about dark roast, our first new coffee blend in 50 years. We put a very, very strong marketing program behind it. In fact, you might have seen our video has gone viral.

The research that we're getting back tells us very clearly that it's having an impact. Guests that might have been leaving us to go to another restaurant for their darker blend are now staying with us. Guests that perhaps in the past we lost to other restaurants because we didn't have that are now coming back.

So, again, very, very early, but we're very, very encouraged, and as I said from the very beginning we are the coffee leaders in Canada by a large, large margin and it's our responsibility to innovate this category and that's exactly what we plan to do.

Cynthia Devine - *Tim Hortons Inc - CFO*

Really launched late in the quarter for the quarterly results.

Marc Caira - *Tim Hortons Inc - President and CEO*

The testing has been going on for some time, but the launch, you're right, was a recent launch. So, early results are good. Stay tuned.

Operator

John Glass of Morgan Stanley.

John Glass - *Morgan Stanley - Analyst*

Thanks, Marc. You indicated that this is a foundational year in the five-year plan and you've already sort of sketched out some of those things that you already put into place. Can you talk about what is going to be into incrementally new in 2015 in that plan that you hadn't implemented in 2014, so either it's -- I don't know, I'm thinking either it's a new platform of food like health and wellness or technologies. This is the year that mobile is going to drive, or maybe there is some other element I'm not thinking of, but what is new in 2015 that maybe hasn't already been put in place today?

Marc Caira - *Tim Hortons Inc - President and CEO*

That you for the question, John. First of all, it is a five-year plan, so we expect to execute this plan flawlessly every single year. Again, as I stated earlier, one of things that I'm really, really pleased, excited with is how our people have aligned behind the plan, have aligned behind the priorities, particularly at a stage in our life where some people would even say, look, with what's going on in your company, you're going to be distracted. Well, you know what, we're not distracted. We're completely focused on our business.

We're driving our business forward. The results be for themselves. So that notion of being distracted is totally in my view, humble view, is totally not true.

Having said that, differentiated innovation will continue. The ultimate guest experience and making sure that we give our consumers the best service possible when they come into our stores will continue. Our renovation of our restaurants will continue. Technology in terms of driving behavior, making the experience better will continue.

If you're looking for something incrementally, we're looking at demand spaces which we also talked to you briefly during our strategic plan. And we're going to deeper into that in terms of really finding new opportunities for our business that perhaps in the past we didn't go after. So, we're making good progress in that area, this whole demand space, and you should look forward to seeing that in the future.

John Glass - *Morgan Stanley - Analyst*

And if I could just ask one followup. You mentioned the New Jersey announcement in the US. How do you pick new markets in the US? It would seem to me that that's a fairly competitive market given the US competitor down here.

It's a costly market. There's a lot of space in the US the hasn't been staked out by your largest competitor. Was that driven more by the partner or did you think New Jersey was the next market?

Marc Caira - *Tim Hortons Inc - President and CEO*

First and foremost again, as I said earlier, we don't run these markets out of Oakville. We have local people on the ground. In this case, Mike Meilleur leads our US operation and he knows what's going on in this market and he recommends certain things.

You touched on it. First and foremost as I said all along, this is about aligning yourself with the right partner. And the right partner goes beyond somebody that has capital available. It's somebody that understands the market, has things that may be accessible to them that we don't have access to.

So, in that case all these deals that we have announced, we've taken a lot of time to really get to know our partners. We feel very, very comfortable with our partners. This is a long-term relationship.

We don't going into these partnerships on a wish hoping that this will work. When we commit to each other, we commit for the long term.

So, you're right, it is competitive but as I said in the past, show me a market in the world today that's not competitive. You won't find too many. So, we're satisfied with where we are and we look forward to this New Jersey venture along with the other ones that we've announced to really perform for us in the future.

Operator

Kenric Tyghe of Raymond James.

Kenric Tyghe - *Raymond James & Associates, Inc. - Analyst*

Thank you. Cynthia, you flagged the tail wind of breakage on your G&A in the quarter. Could you perhaps frame up for us how you're thinking about or how we should be thinking about breakage going forward and your managing of breakage going forward with your increased loyalty penetration initiative?

Cynthia Devine - *Tim Hortons Inc - CFO*

Yes, it's not a material amount of breakage income that was recognized and it really to some extent is offset with costs associated with the Tim Card, but I wouldn't expect it to be something that is a material driver in the future, but it is something that was an offset to some of the increases, the other increases that we had in G&A for the quarter, but it's really -- we've used a conservative view and we've looked at cards that have been dormant for long periods of time. It is very typical in these gift card programs that there is a portion of breakage recognized, so it's nothing outside of the normal as it relates to these programs, Kenric.

Kenric Tyghe - *Raymond James & Associates, Inc. - Analyst*

Thank you, Cynthia. Just a quick follow up on the credit card, on the Double Double card. Not an easy quarter to be issuing new card product. Could you even directionally give us some sort of indication on the attraction of that new card release?

Cynthia Devine - *Tim Hortons Inc - CFO*

It's still early days in the launch of Double Double card, but we have consumers really like the technology. They find it kind of fascinating to have the different options available right on the card and the instant kind of gratification of receiving points on every dollar that you spend. So, we're going to be focused on continuing to grow that initiative in 2015.

Marc Caira - *Tim Hortons Inc - President and CEO*

And as we said in the past, there's all sorts of cards available today and all sorts of loyalty programs available, but I think as we discussed in the past, why is this different. Well, it's different because there's no other card like this in the world. It's truly differentiated. So, we're happy with the initial launch and again it's work in progress and we'll continue to drive this forward along with our partners at CIBC.

Operator

(Operator Instructions)

Steve Anderson of Miller Tabak.

Steve Anderson - *Miller Tabak - Analyst*

Good morning. Congratulations on the strong results for the quarter. My question regards some of the competitive landscape in quick service and a few of your competitors talked about some of the competitive pricing pressures. Have you seen any of that in your markets particularly in the US?

Marc Caira - *Tim Hortons Inc - President and CEO*

When you talk about competitive, we've referred to this in past calls. It's a very competitive environment. Low growth industries tend to lead to competitive intensity.

So, this is part of this new era that we have to participate in and win, and I think that we're clearly doing that. And how do you win? How do you win in this industry in this new era is not simply by putting products out there that have low margins. How you win is by really developing differentiated products where consumers really see value and they're prepared to pay a fair price. And I think if you look at our products we've introduced, we're doing that. They're differentiated but they're priced right and that for me is what is going to really drive this thing.

So, it's one of our pillars, differentiated innovation. Technology will play a role in that. So, we're not really interested. Tim Hortons has never really been interested in competing on the basis of price alone. We compete on the basis of value added products, services and all these other values, the technology that we're able to bring to consumers.

Steve Anderson - *Miller Tabak - Analyst*

Thank you.

Operator

Peter Sklar of BMO Capital Markets.

Peter Sklar - *BMO Capital Markets - Analyst*

Thanks. Just a question on the menu board pricing. Can you tell us specifically how much price is in each of the same-store sales statistics for Canada and the US, and also could you address the store economics? Have these price increases -- have your franchisees caught up to some of these commodity prices that you've seen in protein and otherwise or is there still some catch up for them to do on the menu board?

Cynthia Devine - *Tim Hortons Inc - CFO*

Thanks for your question, Peter. With regards to pricing, in Canada it was about approximately 2% of pricing and in the US is slightly above that at about 3% pricing. And some of the pricing has been related to some of the things I talked to in regards to protein and things like that, that have gone through.

As it relates to coffee and the commodity impact, as I said on previous calls, in 2000 -- for the most part in 2014 we've been locked in coffee contracts that were entered into in 2013 and as we said, as we look out further into 2015 and that, obviously the impact of commodities, particularly as it relates to coffee, is going to be a factor that we need to look at with our restaurant owners because coffee costs, as everyone knows, are much higher than they have been historically and it's been a fairly continued kind of rise in those prices. And so it's something that we will and are working on closely with our restaurant owners to understand what actions may be necessary.

Peter Sklar - *BMO Capital Markets - Analyst*

Okay. And when do the hedges roll off for your coffee commitments?

Cynthia Devine - *Tim Hortons Inc - CFO*

It's at various times. We're purchasing throughout, but I think as we've said before, we are relatively comfortable with 2014 as being pretty locked down on all the key components because, as you'll recall, coffee has a number of elements to it, base coffee, your differentials, and your currency, so there's a number of factors that play into it, but as we said before, for the most part in 2014 we're well covered.

Peter Sklar - *BMO Capital Markets - Analyst*

Okay thank you.

Operator

Keith Howlett of Desjardins Securities.

Keith Howlett - *Desjardins Securities - Analyst*

I wondered if you could speak to the lunch business, how your trends are there, especially on the combos and whether the kettle chip is delivering what you want in terms of encouraging combos?

Marc Caira - *Tim Hortons Inc - President and CEO*

Sure. Thank you. Well, we've clearly identified the lunch day part as being a key area for us and we've made very, very good inroads in Canada. In the US is still an opportunity that gives us a lot of room to grow and we will do that.

So, when you look at our performance at lunch in Canada, you have to be pleased with where we are. Just a few years ago we weren't doing a lunch and today we're neck and neck for leadership. So that's fantastic.

Having said that, we still have some work to do and our people in R&D are working very diligently to get us to continued products that you see at lunch, the steak and cheese panini, the crispy chickens, the extreme Italians. Those are all innovations that a few years ago we weren't in.

Having said that, the kettle chips have done really, really well, but it's a start and we're actively working on additional side dishes because one of the key strategies for us, as we mentioned, is to increase the average check. One of the ways for us to increase the average check is by selling more combos. To sell more combos not only do you need the main sandwich and obviously the best coffee that we do have, but also side dishes. So, that's work in progress and you should expect to see a lot of exciting things in that area in the months ahead.

Keith Howlett - *Desjardins Securities - Analyst*

Thank you.

Operator

There are no further questions at this time. I'll now hand the call back over to Scott Bonikowsky for closing remarks.

Scott Bonikowsky - *Tim Hortons Inc - SVP of Corporate Affairs and IR*

Great. Thank you, Brock, and thanks, everyone, for joining our third quarter conference call. We appreciate as always everyone's support and ongoing interest in Tim Hortons. And also, as always, if you have any additional questions related to the quarter that we were not able to address on today's call, please feel free to contact me directly. Have a great day, everyone.

Operator

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.