

Bloomin' Brands, Inc.  
Form 10-Q  
August 02, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark  
One)

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

For the quarterly period ended July 1, 2018  
or

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: 001-35625

BLOOMIN' BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

20-8023465

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607

(Address of principal executive offices) (Zip Code)

(813) 282-1225

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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  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  NO

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

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

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

As of July 31, 2018, 92,538,341 shares of common stock of the registrant were outstanding.

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BLOOMIN' BRANDS, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q  
 For the Quarterly Period Ended July 1, 2018  
 (Unaudited)

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## BLOOMIN' BRANDS, INC.

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)

|   | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
|---|-----------------|----------------------|
| <b>ASSETS</b>   |                 |                      |
| Current Assets  |                 |                      |
| Cash and cash equivalents   | \$81,694        | \$ 128,263           |
| Current portion of restricted cash and cash equivalents   | 4,521           | 1,280                |
| Inventories   | 48,641          | 51,264               |
| Other current assets, net   | 113,208         | 179,402              |
| Total current assets  | 248,064         | 360,209              |
| Property, fixtures and equipment, net   | 1,141,355       | 1,173,414            |
| Goodwill  | 298,615         | 310,234              |
| Intangible assets, net  | 511,442         | 522,290              |
| Deferred income tax assets, net   | 67,945          | 60,486               |
| Other assets, net   | 122,445         | 135,261              |
| Total assets  | \$2,389,866     | \$ 2,561,894         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                 |                      |
| Current Liabilities   |                 |                      |
| Accounts payable  | \$164,798       | \$ 185,461           |
| Accrued and other current liabilities   | 218,482         | 270,840              |
| Unearned revenue  | 221,926         | 330,756              |
| Current portion of long-term debt   | 25,964          | 26,335               |
| Total current liabilities   | 631,170         | 813,392              |
| Deferred rent   | 164,021         | 160,047              |
| Deferred income tax liabilities   | 14,539          | 16,926               |
| Long-term debt, net   | 1,113,765       | 1,091,769            |
| Deferred gain on sale-leaseback transactions, net   | 182,501         | 188,086              |
| Other long-term liabilities, net  | 192,400         | 210,443              |
| Total liabilities   | 2,298,396       | 2,480,663            |
| Commitments and contingencies (Note 13)   |                 |                      |
| Stockholders' Equity  |                 |                      |
| Bloomin' Brands Stockholders' Equity  |                 |                      |
| Preferred stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of July 1, 2018 and December 31, 2017                                    | —               | —                    |
| Common stock, \$0.01 par value, 475,000,000 shares authorized; 92,437,047 and 91,912,546 shares issued and outstanding as of July 1, 2018 and December 31, 2017, respectively | 924             | 919                  |
| Additional paid-in capital  | 1,109,015       | 1,081,813            |
| Accumulated deficit   | (902,038 )      | (913,191 )           |
| Accumulated other comprehensive loss  | (126,672 )      | (99,199 )            |
| Total Bloomin' Brands stockholders' equity  | 81,229          | 70,342               |
| Noncontrolling interests  | 10,241          | 10,889               |
| Total stockholders' equity  | 91,470          | 81,231               |
| Total liabilities and stockholders' equity  | \$2,389,866     | \$ 2,561,894         |

The accompanying notes are an integral part of these consolidated financial statements.

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## BLOOMIN' BRANDS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA, UNAUDITED)

|   | THIRTEEN WEEKS<br>ENDED |                  | TWENTY-SIX WEEKS<br>ENDED |                  |
|---|-------------------------|------------------|---------------------------|------------------|
|   | JULY 1,<br>2018         | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Revenues  |                         |                  |                           |                  |
| Restaurant sales  | \$1,015,484             | \$1,021,184      | \$2,114,487               | \$2,165,015      |
| Franchise and other revenues  | 16,330                  | 15,274           | 33,792                    | 26,154           |
| Total revenues  | 1,031,814               | 1,036,458        | 2,148,279                 | 2,191,169        |
| Costs and expenses  |                         |                  |                           |                  |
| Cost of sales   | 322,790                 | 323,130          | 674,922                   | 687,878          |
| Labor and other related   | 301,921                 | 297,857          | 612,983                   | 622,255          |
| Other restaurant operating  | 238,379                 | 248,412          | 491,724                   | 499,536          |
| Depreciation and amortization                                       | 50,782                  | 48,063           | 100,902                   | 94,653           |
| General and administrative  | 76,129                  | 77,056           | 144,825                   | 148,997          |
| Provision for impaired assets and restaurant closings               | 8,889                   | 598              | 11,628                    | 19,674           |
| Total costs and expenses  | 998,890                 | 995,116          | 2,036,984                 | 2,072,993        |
| Income from operations  | 32,924                  | 41,342           | 111,295                   | 118,176          |
| Loss on extinguishment and modification of debt                     | —                       | (260             | ) —                       | (260             |
| Other (expense) income, net   | (6                      | ) 7,281          | (5                        | ) 7,230          |
| Interest expense, net   | (11,319                 | ) (9,543         | ) (21,629                 | ) (18,684        |
| Income before (benefit) provision for income taxes                  | 21,599                  | 38,820           | 89,661                    | 106,462          |
| (Benefit) provision for income taxes                                | (5,124                  | ) 2,988          | (3,199                    | ) 20,992         |
| Net income  | 26,723                  | 35,832           | 92,860                    | 85,470           |
| Less: net income attributable to noncontrolling interests           | 2                       | 699              | 741                       | 1,712            |
| Net income attributable to Bloomin' Brands                          | \$26,721                | \$35,133         | \$92,119                  | \$83,758         |
| Net income  | \$26,723                | \$35,832         | \$92,860                  | \$85,470         |
| Other comprehensive (loss) income:                                  |                         |                  |                           |                  |
| Foreign currency translation adjustment                             | (30,044                 | ) (9,118         | ) (28,695                 | ) 11,371         |
| Unrealized gain (loss) on derivatives, net of tax                   | 296                     | (610             | ) 1,184                   | (509             |
| Reclassification of adjustment for loss on derivatives included in  | 71                      | 643              | 379                       | 1,427            |
| Net income, net of tax  | (2,954                  | ) 26,747         | 65,728                    | 97,759           |
| Less: comprehensive income attributable to noncontrolling interests | 360                     | 757              | 1,081                     | 1,682            |
| Comprehensive (loss) income attributable to Bloomin' Brands         | \$(3,314                | ) \$25,990       | \$64,647                  | \$96,077         |
| Earnings per share:   |                         |                  |                           |                  |
| Basic   | \$0.29                  | \$0.36           | \$1.00                    | \$0.83           |
| Diluted   | \$0.28                  | \$0.34           | \$0.97                    | \$0.80           |
| Weighted average common shares outstanding:                         |                         |                  |                           |                  |
| Basic   | 92,120                  | 98,852           | 92,194                    | 100,963          |
| Diluted   | 94,361                  | 102,421          | 95,072                    | 104,417          |

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|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Cash dividends declared per common share | \$0.09 | \$0.08 | \$0.18 | \$0.16 |
|--|--------|--------|--------|--------|

The accompanying notes are an integral part of these consolidated financial statements.

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## BLOOMIN' BRANDS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT PER SHARE DATA, UNAUDITED)

|  | BLOOMIN' BRANDS, INC.<br>COMMON<br>STOCK |        | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUM-ULATED<br>DEFICIT | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>LOSS | NON-CONTROLLING<br>INTERESTS | TOTAL     |
|--|--|--------|----------------------------------|-------------------------|---|------------------------------|-----------|
|  | SHARES                                   | AMOUNT |                                  |                         |   |                              |           |
| Balance, December 31, 2017                                   | 91,913                                   | \$ 919 | \$ 1,081,813                     | \$ (913,191 )           | \$ (99,199 )                                  | \$ 10,889                    | \$ 81,231 |
| Net income   | —  | —      | —                                | 92,119                  | —   | 1,063                        | 93,182    |
| Other comprehensive (loss)<br>income, net of tax             | —  | —      | —                                | —                       | (27,473 )                                     | 341                          | (27,132 ) |
| Cash dividends declared,<br>\$0.18 per common share          | —  | —      | (16,734 )                        | —                       | —   | —                            | (16,734 ) |
| Repurchase and retirement<br>of common stock                 | (3,404 )                                 | (34 )  | —                                | (80,966 )               | —   | —                            | (81,000 ) |
| Stock-based compensation                                     | —  | —      | 11,178                           | —                       | —   | —                            | 11,178    |
| Common stock issued under<br>stock plans (1)                 | 3,928                                    | 39     | 33,080                           | —                       | —   | —                            | 33,119    |
| Change in the redemption<br>value of redeemable<br>interests | —  | —      | (322 )                           | —                       | —   | —                            | (322 )    |
| Distributions to<br>noncontrolling interests                 | —  | —      | —                                | —                       | —   | (3,372 )                     | (3,372 )  |
| Contributions from<br>noncontrolling interests               | —  | —      | —                                | —                       | —   | 1,320                        | 1,320     |
| Balance, July 1, 2018  | 92,437                                   | \$ 924 | \$ 1,109,015                     | \$ (902,038 )           | \$ (126,672 )                                 | \$ 10,241                    | \$ 91,470 |

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## BLOOMIN' BRANDS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT PER SHARE DATA, UNAUDITED)

|  | BLOOMIN' BRANDS, INC.     |          |                                  |                         |                                |                                  |            |
|--|---------------------------|----------|----------------------------------|-------------------------|--------------------------------|----------------------------------|------------|
|  | COMMON<br>STOCK<br>SHARES | AMOUNT   | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUM-ULATED<br>DEFICIT | OTHER<br>COMPREHENSIVE<br>LOSS | NON-<br>CONTROLLING<br>INTERESTS | TOTAL      |
| Balance, December 25, 2016                               | 103,922                   | \$ 1,039 | \$ 1,079,583                     | \$ (756,070 )           | \$ (111,143 )                  | \$ 12,654                        | \$ 226,063 |
| Net income   | —                         | —        | —                                | 83,758                  | —                              | 1,837                            | 85,595     |
| Other comprehensive income (loss), net of tax            | —                         | —        | —                                | —                       | 12,319                         | (38 )                            | 12,281     |
| Cash dividends declared, \$0.16 per common share         | —                         | —        | (16,308 )                        | —                       | —                              | —                                | (16,308 )  |
| Repurchase and retirement of common stock                | (9,917 )                  | (99 )    | —                                | (198,629 )              | —                              | —                                | (198,728 ) |
| Stock-based compensation                                 | —                         | —        | 12,716                           | —                       | —                              | —                                | 12,716     |
| Common stock issued under stock plans (1)                | 1,003                     | 10       | 4,597                            | (143 )                  | —                              | —                                | 4,464      |
| Change in the redemption value of redeemable interests   | —                         | —        | (126 )                           | —                       | —                              | —                                | (126 )     |
| Purchase of noncontrolling interests, net of tax of \$45 | —                         | —        | (713 )                           | —                       | —                              | (179 )                           | (892 )     |
| Distributions to noncontrolling interests                | —                         | —        | —                                | —                       | —                              | (3,754 )                         | (3,754 )   |
| Contributions from noncontrolling interests              | —                         | —        | —                                | —                       | —                              | 481                              | 481        |
| Cumulative-effect from a change in accounting principle  | —                         | —        | —                                | 14,364                  | —                              | —                                | 14,364     |
| Balance, June 25, 2017                                   | 95,008                    | \$ 950   | \$ 1,079,749                     | \$ (856,720 )           | \$ (98,824 )                   | \$ 11,001                        | \$ 136,156 |

(1) Net of forfeitures and shares withheld for employee taxes.

The accompanying notes are an integral part of these consolidated financial statements.

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BLOOMIN' BRANDS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS, UNAUDITED)

|   | TWENTY-SIX<br>WEEKS ENDED |                  |
|---|---------------------------|------------------|
|   | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Cash flows provided by operating activities:                                  |                           |                  |
| Net income  | \$92,860                  | \$85,470         |
| Adjustments to reconcile Net income to cash provided by operating activities: |                           |                  |
| Depreciation and amortization   | 100,902                   | 94,653           |
| Amortization of deferred discounts and issuance costs                         | 1,288                     | 1,637            |
| Amortization of deferred gift card sales commissions                          | 15,219                    | 13,756           |
| Provision for impaired assets and restaurant closings                         | 11,628                    | 19,674           |
| Stock-based and other non-cash compensation expense                           | 13,263                    | 13,901           |
| Deferred income tax (benefit) expense   | (264 )                    | 1,686            |
| Gain on sale of a business or subsidiary                                      | —                         | (7,284 )         |
| Loss on extinguishment and modification of debt                               | —                         | 260              |
| Recognition of deferred gain on sale-leaseback transactions                   | (6,142 )                  | (5,816 )         |
| Other non-cash items, net   | 1,257                     | 1,802            |
| Change in assets and liabilities  | (129,928 )                | (36,602 )        |
| Net cash provided by operating activities                                     | 100,083                   | 183,137          |
| Cash flows used in investing activities:                                      |                           |                  |
| Proceeds from disposal of property, fixtures and equipment                    | 6,164                     | 4                |
| Proceeds from sale-leaseback transactions, net                                | 4,695                     | 49,780           |
| Proceeds from sale of a business, net of cash divested                        | —                         | 33,994           |
| Capital expenditures  | (92,528 )                 | (116,256 )       |
| Other investments, net  | (275 )                    | (1,123 )         |
| Net cash used in investing activities   | \$(81,944)                | \$(33,601)       |

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BLOOMIN' BRANDS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN THOUSANDS, UNAUDITED)

|   | TWENTY-SIX<br>WEEKS ENDED |                  |
|---|---------------------------|------------------|
|   | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Cash flows used in financing activities:  |                           |                  |
| Proceeds from issuance of long-term debt, net   | \$—                       | \$124,438        |
| Repayments of long-term debt  | (12,876 )                 | (64,399 )        |
| Proceeds from borrowings on revolving credit facilities, net  | 266,829                   | 341,000          |
| Repayments of borrowings on revolving credit facilities   | (234,500)                 | (364,500 )       |
| Proceeds from failed sale-leaseback transactions, net   | —                         | 5,942            |
| Proceeds from the exercise of share-based compensation  | 33,119                    | 4,607            |
| Distributions to noncontrolling interests   | (3,372 )                  | (3,754 )         |
| Contributions from noncontrolling interests   | 1,320                     | 481              |
| Purchase of limited partnership and noncontrolling interests  | (1,443 )                  | (4,024 )         |
| Repayments of partner deposits and accrued partner obligations  | (9,646 )                  | (7,862 )         |
| Repurchase of common stock  | (81,000 )                 | (198,871 )       |
| Cash dividends paid on common stock   | (16,734 )                 | (16,308 )        |
| Net cash used in financing activities   | (58,303 )                 | (183,250 )       |
| Effect of exchange rate changes on cash and cash equivalents  | (3,164 )                  | 1,002            |
| Net decrease in cash, cash equivalents and restricted cash  | (43,328 )                 | (32,712 )        |
| Cash, cash equivalents and restricted cash as of the beginning of the period                                  | 129,543                   | 136,186          |
| Cash, cash equivalents and restricted cash as of the end of the period  | \$86,215                  | \$103,474        |
| Supplemental disclosures of cash flow information:  |                           |                  |
| Cash paid for interest  | \$20,488                  | \$17,393         |
| Cash paid for income taxes, net of refunds  | 6,675                     | 22,695           |
| Supplemental disclosures of non-cash investing and financing activities:                                      |                           |                  |
| Increase (decrease) in liabilities from the acquisition of property, fixtures and equipment or capital leases | \$1,430                   | \$(2,564 )       |
| Purchase of noncontrolling interest included in accrued and other current liabilities                         | —                         | 898              |

The accompanying notes are an integral part of these consolidated financial statements.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. Description of the Business and Basis of Presentation

Description of the Business - Bloomin' Brands, Inc., through its subsidiaries ("Bloomin' Brands" or the "Company"), owns and operates casual, upscale casual and fine dining restaurants. The Company's restaurant portfolio has four concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar. Each of the Company's concepts has additional restaurants in which it has no direct investment and are operated under franchise agreements.

Basis of Presentation - The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for fair financial statement presentation for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Recently Adopted Financial Accounting Standards - On January 1, 2018, the Company elected to early adopt Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," ("ASU No. 2017-04") on a prospective basis. ASU No. 2017-04 eliminates the second step of goodwill impairment, which requires a hypothetical purchase price allocation. Under ASU No. 2017-04, goodwill impairment is calculated as the amount a reporting unit's carrying value exceeds its calculated fair value. The adoption of ASU No. 2017-04 did not impact the Company's Consolidated Financial Statements. Goodwill and indefinite-lived intangible assets are tested for impairment annually, as of the first day of the second fiscal quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company performed its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during the second quarters of 2018 and 2017. In connection with these assessments, the Company did not record any goodwill or indefinite-lived intangible impairment charges.

On January 1, 2018, the Company adopted ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09") using the full retrospective transition method. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under the new standard, the Company recognizes gift card breakage proportional to redemptions, which are highest in the Company's first fiscal quarter. Previously, under the remote method, the majority of breakage revenue was recorded in the Company's fourth fiscal quarter corresponding with the timing of the original gift card sale. Advertising fees charged to franchisees, which were previously recorded as a reduction to Other restaurant operating expenses, are recognized as Franchise revenue. In addition, initial franchise and renewal fees are recognized over the term of the franchise agreements. In connection with adoption of ASU No. 2014-09, a cumulative effect adjustment of \$33.1 million, net of tax, was recorded as a credit to the ending balance of Accumulated deficit as of December 27, 2015.



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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following table includes a restatement of the Company's Consolidated Statement of Operations for the retrospective adoption of ASU No. 2014-09 during the periods indicated:

| (dollars in thousands, except per share data) | THIRTEEN WEEKS ENDED<br>JUNE 25, 2017 |          |             | TWENTY-SIX WEEKS ENDED<br>JUNE 25, 2017 |          |             |
|---|---------------------------------------|----------|-------------|---|----------|-------------|
|   | AS                                    | 2014-09  | AS          | AS                                      | 2014-09  | AS          |
|   | REPORTED                              | IMPACT   | RESTATED    | REPORTED                                | IMPACT   | RESTATED    |
| <b>Revenues</b>                               |                                       |          |             |   |          |             |
| Restaurant sales                              | \$1,019,957                           | \$1,227  | \$1,021,184 | \$2,155,445                             | \$9,570  | \$2,165,015 |
| Franchise and other revenues                  | 13,025                                | 2,249    | 15,274      | 21,360                                  | 4,794    | 26,154      |
| Total revenues                                | \$1,032,982                           | \$3,476  | \$1,036,458 | \$2,176,805                             | \$14,364 | \$2,191,169 |
| <b>Costs and expenses</b>                     |                                       |          |             |   |          |             |
| Other restaurant operating                    | \$244,124                             | \$4,288  | \$248,412   | \$492,064                               | \$7,472  | \$499,536   |
| Income from operations                        | \$42,154                              | \$(812)  | \$41,342    | \$111,284                               | \$6,892  | \$118,176   |
| Income before provision for income taxes      | \$39,632                              | \$(812)  | \$38,820    | \$99,570                                | \$6,892  | \$106,462   |
| Provision for income taxes                    | \$3,303                               | \$(315)  | \$2,988     | \$18,318                                | \$2,674  | \$20,992    |
| Net income                                    | \$36,329                              | \$(497)  | \$35,832    | \$81,252                                | \$4,218  | \$85,470    |
| Net income attributable to Bloomin' Brands    | \$35,630                              | \$(497)  | \$35,133    | \$79,540                                | \$4,218  | \$83,758    |
| Basic earnings per share                      | \$0.36                                | \$(0.01) | \$0.36      | \$0.79                                  | \$0.04   | \$0.83      |
| Diluted earnings per share                    | \$0.35                                | \$—      | \$0.34      | \$0.76                                  | \$0.04   | \$0.80      |

The following table includes a restatement of the Company's Consolidated Balance Sheet as of December 31, 2017 for the retrospective adoption of ASU No. 2014-09:

| (dollars in thousands)                      | DECEMBER 31, 2017 |            |             |
|---|-------------------|------------|-------------|
|   | AS                | 2014-09    | AS          |
|   | REPORTED          | IMPACT     | RESTATED    |
| <b>ASSETS</b>                               |                   |            |             |
| Deferred income tax assets, net             | \$71,499          | \$(11,013) | \$60,486    |
| Total assets                                | \$2,572,907       | \$(11,013) | \$2,561,894 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                   |            |             |
| <b>Unearned revenue</b>                     |                   |            |             |
| Deferred gift card revenue                  | \$371,455         | \$(47,827) | \$323,628   |
| Deferred loyalty revenue                    | 6,667             | —          | 6,667       |
| Deferred franchise fees - current           | 105               | 356        | 461         |
| Total Unearned revenue                      | \$378,227         | \$(47,471) | \$330,756   |
| Total current liabilities                   | \$860,863         | \$(47,471) | \$813,392   |
| Other long-term liabilities, net (1)        | \$205,745         | \$4,698    | \$210,443   |
| Total liabilities                           | \$2,523,436       | \$(42,773) | \$2,480,663 |
| <b>Bloomin' Brands Stockholders' Equity</b> |                   |            |             |
| Accumulated deficit                         | \$(944,951)       | \$31,760   | \$(913,191) |
| Total Bloomin' Brands stockholders' equity  | \$38,582          | \$31,760   | \$70,342    |
| Total stockholders' equity                  | \$49,471          | \$31,760   | \$81,231    |
| Total liabilities and stockholders' equity  | \$2,572,907       | \$(11,013) | \$2,561,894 |

(1) Includes the non-current portion of deferred franchise fees.

See Note 2 - Revenue Recognition for required disclosures under ASU No. 2014-09.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

Effective June 26, 2017, the Company adopted ASU No. 2016-18, "Statement of Cash Flows (Topic 230), Restricted Cash" ("ASU No. 2016-18"). ASU No. 2016-18 provides guidance on the presentation of restricted cash and restricted cash equivalents, which are now included with cash and cash equivalents when reconciling the beginning and ending cash amounts shown on the statements of cash flows. Using the retrospective transition method required under the standard, the Company has adjusted the presentation of its Condensed Consolidated Statements of Cash Flows for the period presented. The adoption of ASU No. 2016-18 did not have any other impact on the Company's Consolidated Financial Statements.

The following table provides additional details by financial statement line item of the restated presentation in the Company's Condensed Consolidated Statement of Cash Flows for the twenty-six weeks ended June 25, 2017:

|  | TWENTY-SIX WEEKS ENDED<br>JUNE 25, 2017 |                |              |
|--|---|----------------|--------------|
| (dollars in thousands)   | AS REPORTED                             | 2016-18 IMPACT | AS RESTATED  |
| Cash flows used in investing activities:   |   |                |              |
| Decrease in restricted cash  | \$ 14,969                               | \$ (14,969 )   | \$ —         |
| Increase in restricted cash  | \$ (5,957 )                             | \$ 5,957       | \$ —         |
| Net cash used in investing activities  | \$ (24,589 )                            | \$ (9,012 )    | \$ (33,601 ) |
| Net decrease in cash, cash equivalents and restricted cash                           | \$ (23,702 )                            | \$ (9,010 )    | \$ (32,712 ) |
| Cash, cash equivalents and restricted cash as 127,176 of the beginning of the period |   | 9,010          | 136,186      |
| Cash, cash equivalents and restricted cash as of the end of the period               | \$ 103,474                              | \$ —           | \$ 103,474   |

Recently Issued Financial Accounting Standards Not Yet Adopted - In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02: "Leases (Topic 842)" ("ASU No. 2016-02"). ASU No. 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU No. 2016-02 is effective for the Company in 2019 and must be adopted using a modified retrospective approach. In preparation for adoption of ASU No. 2016-02, the



Company has implemented a new lease accounting system. The Company is currently evaluating practical expedients and accounting policy elections, and assessing the overall financial statement impact. The Company expects the adoption of ASU No. 2016-02 to have a significant impact on its Consolidated Balance Sheets due to recognition of right-of-use assets and lease liabilities related to real estate and equipment under operating lease agreements, but will likely have an insignificant impact on its Consolidated Statement of Operations and Comprehensive Income. The Company's evaluation of ASU No. 2016-02 is ongoing and may identify additional impacts on its Consolidated Financial Statements and related disclosures.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU No. 2017-12") which provides guidance for reporting the economic results of hedging activities and to simplify the disclosures of risk exposures and hedging strategies. ASU No. 2017-12 will be effective for the Company in 2019, with early adoption permitted and is not expected to have a material impact on the Company's Consolidated Financial Statements and related disclosures.

Reclassifications - The Company reclassified certain items in the accompanying Consolidated Financial Statements for prior periods to be comparable with the classification for the current period.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 2. Revenue Recognition

The Company records food and beverage revenues, net of discounts and taxes, upon delivery to the customer. Franchise-related revenues are included in Franchise and other revenues in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. Royalties, which are a percentage of net sales of the franchisee, are recognized as revenue in the period which the sales are reported to have occurred. The following table includes the categories of revenue included in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for the periods indicated:

|                                    | THIRTEEN WEEKS<br>ENDED |                                       | TWENTY-SIX<br>WEEKS ENDED |                                       |
|------------------------------------|-------------------------|---------------------------------------|---------------------------|---------------------------------------|
|                                    | JULY 1,<br>2018         | JUNE 25,<br>2017<br>(Restated)<br>(1) | JULY 1,<br>2018           | JUNE 25,<br>2017<br>(Restated)<br>(1) |
| (dollars in thousands)             |                         |                                       |                           |                                       |
| Revenues                           |                         |                                       |                           |                                       |
| Restaurant sales                   | \$1,015,484             | \$1,021,184                           | \$2,114,487               | \$2,165,015                           |
| Franchise and other revenues:      |                         |                                       |                           |                                       |
| Franchise revenue                  | \$13,134                | \$11,565                              | \$27,349                  | \$20,662                              |
| Other revenue                      | 3,196                   | 3,709                                 | 6,443                     | 5,492                                 |
| Total Franchise and other revenues | \$16,330                | \$15,274                              | \$33,792                  | \$26,154                              |
| Total revenues                     | \$1,031,814             | \$1,036,458                           | \$2,148,279               | \$2,191,169                           |

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

The following table includes the disaggregation of Restaurant sales and Franchise revenue, by restaurant concept and major international market, for the periods indicated:

|                                       | THIRTEEN WEEKS<br>ENDED |                      | TWENTY-SIX WEEKS<br>ENDED |                      |
|---------------------------------------|-------------------------|----------------------|---------------------------|----------------------|
|                                       | JULY 1, 2018            | JULY 1, 2018         | JULY 1, 2018              | JULY 1, 2018         |
| (dollars in thousands)                | RESTAURANT<br>SALES     | FRANCHISE<br>REVENUE | RESTAURANT<br>SALES       | FRANCHISE<br>REVENUE |
| U.S.                                  |                         |                      |                           |                      |
| Outback Steakhouse (1)                | \$521,719               | \$ 10,157            | \$1,093,198               | \$ 21,231            |
| Carrabba's Italian Grill (1)          | 163,454                 | 157                  | 337,381                   | 304                  |
| Bonefish Grill                        | 149,054                 | 233                  | 305,903                   | 473                  |
| Fleming's Prime Steakhouse & Wine Bar | 73,312                  | —                    | 154,302                   | —                    |
| Other                                 | 1,398                   | —                    | 2,497                     | —                    |
| U.S. Total                            | \$908,937               | \$ 10,547            | \$1,893,281               | \$ 22,008            |
| International                         |                         |                      |                           |                      |
| Outback Steakhouse-Brazil             | \$87,809                | \$ —                 | \$182,932                 | \$ —                 |
| Other                                 | 18,738                  | 2,587                | 38,274                    | 5,341                |
| International Total                   | \$106,547               | \$ 2,587             | \$221,206                 | \$ 5,341             |
| Total                                 | \$1,015,484             | \$ 13,134            | \$2,114,487               | \$ 27,349            |



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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

|                                       | THIRTEEN WEEKS<br>ENDED<br>JUNE 25, 2017 |  | TWENTY-SIX WEEKS<br>ENDED<br>JUNE 25, 2017 |  |
|---------------------------------------|--|--|--|--|
|                                       | RESTAURANT<br>SALES<br>(Restated)<br>(2) | FRANCHISE<br>REVENUE<br>(Restated) (2) | RESTAURANT<br>SALES<br>(Restated)<br>(2)   | FRANCHISE<br>REVENUE<br>(Restated) (2) |
| (dollars in thousands)                |  |  |  |  |
| U.S.                                  |  |  |  |  |
| Outback Steakhouse (1)                | \$519,060                                | \$ 8,731                               | \$1,130,535                                | \$ 14,965                              |
| Carrabba's Italian Grill (1)          | 168,372                                  | 156                                    | 351,022                                    | 245                                    |
| Bonefish Grill                        | 150,743                                  | 258                                    | 314,387                                    | 517                                    |
| Fleming's Prime Steakhouse & Wine Bar | 70,089                                   | —                                      | 147,875                                    | —                                      |
| U.S. Total                            | \$908,264                                | \$ 9,145                               | \$1,943,819                                | \$ 15,727                              |
| International                         |  |  |  |  |
| Outback Steakhouse-Brazil             | \$95,801                                 | \$ —                                   | \$186,691                                  | \$ —                                   |
| Other                                 | 17,119                                   | 2,420                                  | 34,505                                     | 4,935                                  |
| International Total                   | \$112,920                                | \$ 2,420                               | \$221,196                                  | \$ 4,935                               |
| Total                                 | \$1,021,184                              | \$ 11,565                              | \$2,165,015                                | \$ 20,662                              |

(1) In 2017, the Company sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant, which are now operated as franchises.

(2) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

Gift Card Revenue - Proceeds from the sale of gift cards, which do not have expiration dates, are recorded as deferred revenue and recognized as revenue upon redemption by the customer. Gift cards sold at a discount are recorded as revenue upon redemption of the associated gift cards at an amount net of the related discount. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized using estimates based on historical redemption patterns. If actual redemptions vary from the estimated breakage, gift card breakage income may differ from the amount recorded. The Company periodically updates its estimates used for breakage. Gift card sales that are accompanied by a bonus card to be used by the customer at a future visit result in a separate deferral of a portion of the original gift card sale. Revenue is recorded when the bonus card is redeemed at the estimated fair market value of the bonus card. Approximately 87% of the current deferred gift card revenue is expected to be recognized over the next 12 months.

Gift card sales commissions paid to third-party providers are initially capitalized and subsequently amortized to Other restaurant operating expenses based on historical gift card redemption patterns.

Advertising Fees - Advertising fees charged to franchisees are recognized as Franchise revenue in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income.

Franchise Fees - Initial franchise and renewal fees are recognized over the term of the franchise agreement and renewal period, respectively. The weighted average remaining term of franchise agreements and renewal periods was approximately 15 years as of July 1, 2018.

Loyalty Program - The Company maintains a customer loyalty program, Dine Rewards, in the U.S., where customers have the ability to earn a reward after a number of qualified visits. The Company has developed an estimated value of the partial reward earned from each qualified visit, which is recorded as deferred revenue. Each reward has a maximum value and must be redeemed within three months of earning such reward. The revenue associated with the fair value of the qualified visit is recognized upon the earlier of redemption or expiration of the reward. The Company applies the practical expedient to exclude disclosures regarding loyalty program remaining performance obligations which have original expected durations of one year or less.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following table includes a detail of assets and liabilities from contracts with customers included on the Company's Consolidated Balance Sheets as of the periods indicated:

(dollars in thousands)

|  | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
|--|-----------------|----------------------|
|--|-----------------|----------------------|

|                                       |           |            |
|---------------------------------------|-----------|------------|
| Other current assets, net             |           |            |
| Deferred gift card sales commissions  | \$9,175   | \$ 16,231  |
| Unearned revenue                      |           |            |
| Deferred gift card revenue (1)        | \$213,286 | \$ 323,628 |
| Deferred loyalty revenue              | 8,145     | 6,667      |
| Deferred franchise fees - current (1) | 495       | 461        |
| Total Unearned revenue                | \$221,926 | \$ 330,756 |

Other long-term liabilities, net

|   |         |          |
|---|---------|----------|
| Deferred franchise fees - non-current (1) | \$4,661 | \$ 4,698 |
|---|---------|----------|

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 on the Company's Consolidated Balance Sheet as of December 31, 2017.

The following table is a rollforward of deferred gift card sales commissions for the periods indicated:

| (dollars in thousands)                              | THIRTEEN<br>WEEKS ENDED |                  | TWENTY-SIX<br>WEEKS ENDED |                  |
|---|-------------------------|------------------|---------------------------|------------------|
|   | JULY 1,<br>2018         | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Balance, beginning of period                        | \$10,039                | \$10,226         | \$16,231                  | \$15,584         |
| Deferred gift card sales commissions amortization   | (5,804 )                | (5,854 )         | (15,219 )                 | (13,756 )        |
| Deferred gift card sales commissions capitalization | 5,400                   | 5,060            | 9,258                     | 8,790            |
| Other   | (460 )                  | (14 )            | (1,095 )                  | (1,200 )         |
| Balance, end of period                              | \$9,175                 | \$9,418          | \$9,175                   | \$9,418          |

The Company applies the portfolio approach practical expedient to account for gift card contracts and performance obligations. The following table is a rollforward of unearned gift card revenue for the periods indicated:

| (dollars in thousands)       | THIRTEEN WEEKS<br>ENDED |                  | TWENTY-SIX<br>WEEKS ENDED |                  |
|------------------------------|-------------------------|------------------|---------------------------|------------------|
|                              | JULY 1,<br>2018         | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Balance, beginning of period | \$227,783               | \$217,872        | \$323,628                 | \$331,803        |
| Gift card sales              | 78,837                  | 80,376           | 135,122                   | 139,246          |
| Gift card redemptions        | (88,496 )               | (91,482 )        | (233,052 )                | (255,635 )       |
| Gift card breakage (1)       | (4,838 )                | (4,961 )         | (12,412 )                 | (13,609 )        |
| Balance, end of period       | \$213,286               | \$201,805        | \$213,286                 | \$201,805        |

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 for the thirteen and twenty-six weeks ended June 25, 2017.



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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 3. Impairments and Exit Costs

The components of Provision for impaired assets and restaurant closings are as follows:

| (dollars in thousands)                                | THIRTEEN<br>WEEKS ENDED<br>JULY 1, 2018 |        | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, 2018 |          |
|---|---|--------|---|----------|
|   | 2018                                    | 2017   | 2018                                      | 2017     |
| Impairment losses                                     |   |        |   |          |
| U.S.  | \$284                                   | \$ 12  | \$395                                     | \$ 932   |
| International   | 4,437                                   | —      | 6,597                                     | —        |
| Total impairment losses                               | \$4,721                                 | \$ 12  | \$6,992                                   | \$ 932   |
| Restaurant closure expenses                           |   |        |   |          |
| U.S.  | \$674                                   | \$ 586 | \$1,022                                   | \$18,742 |
| International   | 3,494                                   | —      | 3,614                                     | —        |
| Total restaurant closure expenses                     | \$4,168                                 | \$ 586 | \$4,636                                   | \$18,742 |
| Provision for impaired assets and restaurant closings | \$8,889                                 | \$ 598 | \$11,628                                  | \$19,674 |

Closure Initiatives - Since February 2017, the Company decided to close certain underperforming restaurants in the U.S. and certain Abbraccio restaurants outside of the core markets of São Paulo and Rio de Janeiro in Brazil and in 2016 the Company decided to close certain Bonefish Grill restaurants (collectively, the "Closure Initiatives"). Following is a summary of expenses related to the Closure Initiatives recognized in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for the periods indicated:

| (dollars in thousands)                              | INCOME STATEMENT LOCATION                             | THIRTEEN<br>WEEKS ENDED<br>JULY 1, 2018 |           | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, 2018 |          |
|---|---|---|-----------|---|----------|
|   |   | 2018                                    | 2017      | 2018                                      | 2017     |
| Impairment, facility closure and other expenses (1) | Provision for impaired assets and restaurant closings | \$1,607                                 | \$ (244 ) | \$1,632                                   | \$18,012 |
| Severance and other expenses                        | General and administrative                            | 110                                     | 766       | 232                                       | 2,948    |
| Reversal of deferred rent liability                 | Other restaurant operating                            | (147 )                                  | 180       | (147 )                                    | (4,761 ) |
| Total   |   | \$1,570                                 | \$ 702    | \$1,717                                   | \$16,199 |

The Company recognized asset impairment and closure charges of \$1.0 million within the International segment (1) related to the Closure Initiatives during the thirteen and twenty-six weeks ended July 1, 2018. All other asset impairment and closure charges for the periods presented were recognized within the U.S. segment.

International Restructuring - During the thirteen and twenty-six weeks ended July 1, 2018, the Company recognized asset impairment and closure charges of \$6.9 million and \$9.2 million, respectively, related to the restructuring of certain international markets, including China.

The remaining restaurant impairment and closing charges resulted primarily from the carrying value of a restaurant's assets exceeding its estimated fair market value, primarily due to locations identified for remodel, relocation or closure.





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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

Projected Future Expenses and Cash Expenditures - The Company expects to incur additional charges for the Closure Initiatives through Q3 2019, including costs associated with lease obligations, employee terminations and other closure-related obligations. Following is a summary of remaining estimated pre-tax expense and future cash expenditures, by type, as of July 1, 2018:

|  | CLOSURE<br>INITIATIVES |
|--|------------------------|
| Estimated future expense (dollars in millions) |                        |
| Lease related liabilities, net of subleases    | \$2.9 to \$3.4         |
| Employee severance and other obligations       | 0.3 to 0.6             |
| Total estimated future expense                 | \$3.2 to \$4.0         |

Total estimated future cash expenditures (dollars in millions) \$22.3 to \$27.4

Total future undiscounted cash expenditures for the Closure Initiatives, primarily related to lease liabilities, are expected to occur over the remaining lease terms with the final term ending in January 2029.

Accrued Facility Closure and Other Costs Rollforward - The following table summarizes the Company's accrual activity related to facility closure and other costs, primarily associated with the Closure Initiatives, during the twenty-six weeks ended July 1, 2018:

|                                  | TWENTY-SIX<br>WEEKS<br>ENDED<br>JULY 1, 2018 |
|----------------------------------|--|
| (dollars in thousands)           |  |
| Balance, beginning of the period | \$ 22,709                                    |
| Charges                          | 8,071  |
| Cash payments                    | (8,186 )                                     |
| Adjustments                      | (3,435 )                                     |
| Balance, end of the period (1)   | \$ 19,159                                    |

(1) As of July 1, 2018, the Company had exit-related accruals of \$6.0 million recorded in Accrued and other current liabilities and \$13.2 million recorded in Other long-term liabilities, net in the Consolidated Balance Sheet.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 4. Earnings Per Share

The following table presents the computation of basic and diluted earnings per share:

|   | THIRTEEN         |            | TWENTY-SIX       |            |
|---|------------------|------------|------------------|------------|
|   | WEEKS ENDED      |            | WEEKS ENDED      |            |
|   | JULY 1, JUNE 25, |            | JULY 1, JUNE 25, |            |
|   | 2018             | 2017       | 2018             | 2017       |
|   |                  | (Restated) |                  | (Restated) |
| (in thousands, except per share data)                 |                  | (1)        |                  | (1)        |
| Net income attributable to Bloomin' Brands            | \$26,721         | \$ 35,133  | \$92,119         | \$ 83,758  |
| Basic weighted average common shares outstanding      | 92,120           | 98,852     | 92,194           | 100,963    |
| Effect of diluted securities:                         |                  |            |                  |            |
| Stock options   | 1,861            | 3,128      | 2,406            | 3,030      |
| Nonvested restricted stock and restricted stock units | 380              | 433        | 452              | 394        |
| Nonvested performance-based share units               | —                | 8          | 20               | 30         |
| Diluted weighted average common shares outstanding    | 94,361           | 102,421    | 95,072           | 104,417    |
| Basic earnings per share                              | \$0.29           | \$ 0.36    | \$1.00           | \$ 0.83    |
| Diluted earnings per share                            | \$0.28           | \$ 0.34    | \$0.97           | \$ 0.80    |

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the Net income and Earnings per share impact of implementing ASU No. 2014-09.

Dilutive securities outstanding not included in the computation of earnings per share because their effect was antidilutive were as follows:

|   | THIRTEEN         |       | TWENTY-SIX       |       |
|---|------------------|-------|------------------|-------|
|   | WEEKS ENDED      |       | WEEKS ENDED      |       |
|   | JULY 1, JUNE 25, |       | JULY 1, JUNE 25, |       |
|   | 2018             | 2017  | 2018             | 2017  |
| (shares in thousands)                                 |                  |       |                  |       |
| Stock options   | 2,133            | 5,359 | 2,041            | 5,462 |
| Nonvested restricted stock and restricted stock units | 16               | 153   | 63               | 172   |
| Nonvested performance-based share units               | 197              | 262   | 180              | 317   |

## 5. Stock-based Compensation Plans

The Company recognized stock-based compensation expense as follows:

|   | THIRTEEN         |          | TWENTY-SIX       |          |
|---|------------------|----------|------------------|----------|
|   | WEEKS ENDED      |          | WEEKS ENDED      |          |
|   | JULY 1, JUNE 25, |          | JULY 1, JUNE 25, |          |
|   | 2018             | 2017     | 2018             | 2017     |
| (dollars in thousands)                      |                  |          |                  |          |
| Stock options                               | \$1,628          | \$ 2,944 | \$3,526          | \$ 5,699 |
| Restricted stock and restricted stock units | 2,455            | 2,689    | 4,787            | 5,242    |

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|                               |         |          |          |          |
|-------------------------------|---------|----------|----------|----------|
| Performance-based share units | 1,874   | 820      | 2,470    | 1,236    |
|                               | \$5,957 | \$ 6,453 | \$10,783 | \$12,177 |

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

The following table presents a summary of the Company's stock option activity:

| (in thousands, except exercise price and contractual life) | OPTIONS  | WEIGHTED-AVERAGE EXERCISE PRICE | WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS) | AGGREGATE INTRINSIC VALUE |
|--|----------|---------------------------------|---|---------------------------|
| Outstanding as of December 31, 2017                        | 10,051   | \$ 14.89                        | 5.2   | \$ 71,373                 |
| Granted  | 488      | 24.01                           |   |                           |
| Exercised  | (3,566 ) | 10.23                           |   |                           |
| Forfeited or expired                                       | (178 )   | 20.47                           |   |                           |
| Outstanding as of July 1, 2018                             | 6,795    | \$ 17.85                        | 5.9   | \$ 25,734                 |
| Exercisable as of July 1, 2018                             | 4,461    | \$ 17.02                        | 4.6   | \$ 21,278                 |

Assumptions used in the Black-Scholes option pricing model and the weighted-average fair value of option awards granted were as follows:

| Assumptions:                                      | TWENTY-SIX<br>WEEKS ENDED |           |               |  |
|---|---------------------------|-----------|---------------|--|
|   | JULY 1, 2018              |           | JUNE 25, 2017 |  |
| Weighted-average risk-free interest rate (1)      | 2.66 %                    | 1.93 %    |               |  |
| Dividend yield (2)                                | 1.50 %                    | 1.84 %    |               |  |
| Expected term (3)                                 | 5.8 years                 | 6.3 years |               |  |
| Weighted-average volatility (4)                   | 32.76 %                   | 33.73 %   |               |  |
| Weighted-average grant date fair value per option | \$7.23                    | \$ 5.09   |               |  |

(1) Risk-free interest rate is the U.S. Treasury yield curve in effect as of the grant date for periods within the expected term of the option.

(2) Dividend yield is the level of dividends expected to be paid on the Company's common stock over the expected term of the option.

(3) Expected term represents the period of time that the options are expected to be outstanding. The Company estimates the expected term based on historical exercise experience for its stock options.

(4) Based on the historical volatility of the Company's stock.

The following represents stock option compensation information for the periods indicated:

| (dollars in thousands)  | TWENTY-SIX<br>WEEKS ENDED |               |
|---|---------------------------|---------------|
|   | JULY 1, 2018              | JUNE 25, 2017 |
| Intrinsic value of options exercised  | \$48,044                  | \$ 7,588      |
| Excess tax benefits for tax deductions related to the exercise of stock options | \$7,837                   | \$ 1,299      |
| Cash received from option exercises, net of tax withholding                     | \$36,460                  | \$ 6,835      |

During the twenty-six weeks ended July 1, 2018, the Company made grants to its employees of 0.4 million time-based restricted stock units and 0.2 million performance-based share units.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of July 1, 2018:

|                               | UNRECOGNIZED<br>COMPENSATION<br>EXPENSE<br>(dollars in<br>thousands) | REMAINING WEIGHTED-AVERAGE VESTING PERIOD<br>(in years) |
|-------------------------------|--|---|
| Stock options                 | \$ 11,518  | 2.5   |
| Restricted stock units        | \$ 19,683  | 2.7   |
| Performance-based share units | \$ 9,435   | 1.3   |

As of July 1, 2018, the maximum number of shares of common stock available for issuance pursuant to the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan was 4,271,424.

## 6. Other Current Assets, Net

Other current assets, net, consisted of the following:

| (dollars in thousands)                 | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
|--|-----------------|----------------------|
| Prepaid expenses                       | \$43,105        | \$ 40,688            |
| Accounts receivable - gift cards, net  | 17,339          | 66,361               |
| Accounts receivable - vendors, net     | 7,895           | 19,483               |
| Accounts receivable - franchisees, net | 2,055           | 2,017                |
| Accounts receivable - other, net       | 18,886          | 22,808               |
| Deferred gift card sales commissions   | 9,175           | 16,231               |
| Assets held for sale                   | 5,606           | 6,217                |
| Other current assets, net              | 9,147           | 5,597                |
|  | \$113,208       | \$ 179,402           |

## 7. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

| (dollars in thousands)                 | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
|--|-----------------|----------------------|
| Accrued payroll and other compensation | \$86,447        | \$ 113,636           |
| Accrued insurance                      | 23,765          | 23,482               |
| Other current liabilities              | 108,270         | 133,722              |
|  | \$218,482       | \$ 270,840           |

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 8. Long-term Debt, Net

Following is a summary of outstanding long-term debt:

| (dollars in thousands)                             | JULY 1, 2018           |                | DECEMBER 31, 2017      |                |
|--|------------------------|----------------|------------------------|----------------|
|  | OUTSTANDING<br>BALANCE | INTEREST RATE  | OUTSTANDING<br>BALANCE | INTEREST RATE  |
| Senior Secured Credit Facility:                    |                        |                |                        |                |
| Term loan A (1)                                    | \$487,500              | 3.78 %         | \$500,000              | 3.27 %         |
| Revolving credit facility (1)                      | 633,500                | 3.77 %         | 600,000                | 3.26 %         |
| Total Senior Secured Credit Facility               | \$1,121,000            |                | \$1,100,000            |                |
| Financing obligations                              | 19,571                 | 7.66% to 7.82% | 19,579                 | 7.52% to 7.82% |
| Capital lease obligations                          | 2,958                  |                | 2,015                  |                |
| Other notes payable                                | 141                    | 1.03% to 2.18% | 904                    | 0.00% to 2.18% |
| Less: unamortized debt discount and issuance costs | (3,941 )               |                | (4,394 )               |                |
| Total debt, net                                    | \$1,139,729            |                | \$1,118,104            |                |
| Less: current portion of long-term debt            | (25,964 )              |                | (26,335 )              |                |
| Long-term debt, net                                | \$1,113,765            |                | \$1,091,769            |                |

(1) Represents the weighted-average interest rate for the respective period.

Debt Covenants - As of July 1, 2018 and December 31, 2017, the Company was in compliance with its debt covenants.

## 9. Stockholders' Equity

Share Repurchases - On February 16, 2018, the Company's Board of Directors (the "Board") canceled the remaining \$55.0 million of authorization under the 2017 Share Repurchase Program and approved a new \$150.0 million authorization (the "2018 Share Repurchase Program"). The 2018 Share Repurchase Program will expire on August 16, 2019. As of July 1, 2018, \$69.0 million remained available for repurchase under the 2018 Share Repurchase Program. Following is a summary of the shares repurchased under the Company's share repurchase program during fiscal year 2018:

|                                | NUMBER<br>OF<br>SHARES<br>(in<br>thousands) | AVERAGE<br>REPURCHASE<br>PRICE PER<br>SHARE | AMOUNT<br>(dollars in<br>thousands) |
|--------------------------------|---|---|-------------------------------------|
| First fiscal quarter           | 2,116                                       | \$ 24.10                                    | \$ 50,996                           |
| Second fiscal quarter          | 1,287                                       | \$ 23.31                                    | 30,004                              |
| Total common stock repurchases | 3,403                                       | \$ 23.80                                    | \$ 81,000                           |

Dividends - The Company declared and paid dividends per share during fiscal year 2018 as follows:

|                      | DIVIDENDS<br>PER SHARE | AMOUNT<br>(dollars in<br>thousands) |
|----------------------|------------------------|-------------------------------------|
| First fiscal quarter | \$ 0.09                | \$ 8,371                            |



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|  |         |           |
|--|---------|-----------|
| Second fiscal quarter                  | 0.09    | 8,363     |
| Total cash dividends declared and paid | \$ 0.18 | \$ 16,734 |

In July 2018, the Board declared a quarterly cash dividend of \$0.09 per share, payable on August 22, 2018, to shareholders of record at the close of business on August 9, 2018.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

Accumulated Other Comprehensive Loss - Following are the components of Accumulated other comprehensive loss:

| (dollars in thousands)                               | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |   |
|--|-----------------|----------------------|---|
| Foreign currency translation adjustment              | \$(127,609)     | \$ (98,573           | ) |
| Unrealized gains (losses) on derivatives, net of tax | 937             | (626                 | ) |
| Accumulated other comprehensive loss                 | \$(126,672)     | \$ (99,199           | ) |

Following are the components of the Company's Other comprehensive (loss) income during the periods presented:

| (dollars in thousands)  | THIRTEEN<br>WEEKS ENDED |                  | TWENTY-SIX<br>WEEKS ENDED |                  |
|---|-------------------------|------------------|---------------------------|------------------|
|   | JULY 1,<br>2018         | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Foreign currency translation adjustment   | \$(30,402)              | \$(9,176 )       | \$(29,036)                | \$ 11,401        |
| Unrealized gain (loss) on derivatives, net of tax (1)   | \$296                   | \$(610 )         | \$1,184                   | \$(509 )         |
| Reclassification of adjustment for loss on derivatives included in Net income, net of tax (2) | 71                      | 643              | 379                       | 1,427            |
| Total unrealized gain on derivatives, net of tax  | \$367                   | \$33             | \$1,563                   | \$918            |
| Other comprehensive (loss) income attributable to Bloomin' Brands                             | \$(30,035)              | \$(9,143 )       | \$(27,473)                | \$12,319         |

Unrealized gain (loss) on derivatives is net of tax of \$0.1 million and \$(0.4) million for the thirteen weeks ended (1) July 1, 2018 and June 25, 2017, respectively, and \$0.4 million and \$(0.3) million for the twenty-six weeks ended July 1, 2018 and June 25, 2017, respectively.

Reclassifications of adjustments for losses on derivatives are net of tax of \$0.4 million for the thirteen weeks ended (2) June 25, 2017 and \$0.1 million and \$0.9 million for the twenty-six weeks ended July 1, 2018 and June 25, 2017, respectively.

## 10. Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk - On September 9, 2014, the Company entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of the Company's variable rate debt. The swap agreements have an aggregate notional amount of \$400.0 million, a start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, the Company pays a weighted-average fixed rate of 2.02% on the \$400.0 million notional amount and receives payments from the counterparty based on the 30-day LIBOR rate. The interest rate swaps, which have been designated and qualify as a cash flow hedge, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates.

The following table presents the fair value and classification of the Company's interest rate swaps:

| (dollars in thousands)                                  | JULY 1, DECEMBER 31, |       | CONSOLIDATED BALANCE SHEET |
|---|----------------------|-------|----------------------------|
|   | 2018                 | 2017  | CLASSIFICATION             |
| Interest rate swaps - asset                             | \$ 1,162             | \$ —  | Other current assets, net  |
| Interest rate swaps - asset                             | —                    | 67    | Other assets, net          |
| Total fair value of derivative instruments - assets (1) | \$ 1,162             | \$ 67 |                            |

|                                     |     |          |                                       |
|-------------------------------------|-----|----------|---------------------------------------|
| Interest rate swaps - liability (1) | \$— | \$ 1,010 | Accrued and other current liabilities |
|-------------------------------------|-----|----------|---------------------------------------|

(1) See Note 11 - Fair Value Measurements for fair value discussion of the interest rate swaps.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

The following table summarizes the effects of the interest rate swaps on Net income for the periods indicated:

|  | THIRTEEN<br>WEEKS<br>ENDED |                  | TWENTY-SIX<br>WEEKS<br>ENDED |                  |
|--|----------------------------|------------------|------------------------------|------------------|
|  | JULY 1,<br>2018            | JUNE 25,<br>2017 | JULY 1,<br>2018              | JUNE 25,<br>2017 |
| (dollars in thousands)   |                            |                  |                              |                  |
| Interest rate swap expense recognized in Interest expense, net (1) | \$(95)                     | \$(1,036)        | \$(510)                      | \$(2,301)        |
| Income tax benefit recognized in Provision for income taxes        | 24                         | 393              | 131                          | 874              |
| Total effects of the interest rate swaps on Net income             | \$(71)                     | \$(643)          | \$(379)                      | \$(1,427)        |

(1) During the thirteen and twenty-six weeks ended July 1, 2018 and June 25, 2017, the Company did not recognize any gain or loss as a result of hedge ineffectiveness.

## 11. Fair Value Measurements

Fair value is the price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. Fair value is categorized into one of the following three levels based on the lowest level of significant input:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities

Level 2 Observable inputs available at measurement date other than quoted prices included in Level 1

Level 3 Unobservable inputs that cannot be corroborated by observable market data

Fair Value Measurements on a Recurring Basis - The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis as of the dates indicated:

|   | JULY 1, 2018 |            |            | DECEMBER 31, 2017 |            |            |
|---|--------------|------------|------------|-------------------|------------|------------|
|   | TOTAL        | LEVEL<br>1 | LEVEL<br>2 | TOTAL             | LEVEL<br>1 | LEVEL<br>2 |
| (dollars in thousands)                            |              |            |            |                   |            |            |
| Assets:   |              |            |            |                   |            |            |
| Cash equivalents:                                 |              |            |            |                   |            |            |
| Fixed income funds                                | \$5,360      | \$5,360    | \$—        | \$1,830           | \$1,830    | \$—        |
| Money market funds                                | 10,367       | 10,367     | —          | 24,656            | 24,656     | —          |
| Restricted cash equivalents:                      |              |            |            |                   |            |            |
| Money market funds                                | 4,521        | 4,521      | —          | 1,280             | 1,280      | —          |
| Other current assets, net                         |              |            |            |                   |            |            |
| Derivative instruments - interest rate swaps      | 1,162        | —          | 1,162      | —                 | —          | —          |
| Other assets, net:                                |              |            |            |                   |            |            |
| Derivative instruments - interest rate swaps      | —            | —          | —          | 67                | —          | 67         |
| Total asset recurring fair value measurements     | \$21,410     | \$20,248   | \$1,162    | \$27,833          | \$27,766   | \$67       |
| Liabilities:                                      |              |            |            |                   |            |            |
| Accrued and other current liabilities:            |              |            |            |                   |            |            |
| Derivative instruments - interest rate swaps      | \$—          | \$—        | \$—        | \$1,010           | \$—        | \$1,010    |
| Total liability recurring fair value measurements | \$—          | \$—        | \$—        | \$1,010           | \$—        | \$1,010    |



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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

Fair value of each class of financial instrument is determined based on the following:

## FINANCIAL INSTRUMENT METHODS AND ASSUMPTIONS

Fixed income funds  
and Money market funds

Carrying value approximates fair value because maturities are less than three months.

Derivative instruments

The Company's derivative instruments include interest rate swaps. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The Company also considers its own nonperformance risk and the respective counterparty's nonperformance risk when performing fair value measurements. As of July 1, 2018 and December 31, 2017, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

Fair Value Measurements on a Nonrecurring Basis - Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to property, fixtures and equipment, goodwill and other intangible assets, which are remeasured when carrying value exceeds fair value. The following table summarizes the Company's assets measured at fair value by hierarchy level on a nonrecurring basis:

| (dollars in thousands)           | THIRTEEN WEEKS ENDED JULY 1, 2018 |                  | TWENTY-SIX WEEKS ENDED JULY 1, 2018 |                  |
|----------------------------------|-----------------------------------|------------------|-------------------------------------|------------------|
|                                  | CARRYING VALUE (1)                | TOTAL IMPAIRMENT | CARRYING VALUE (1)                  | TOTAL IMPAIRMENT |
| Assets held for sale             | \$—                               | \$ —             | \$50                                | \$ 50            |
| Property, fixtures and equipment | 1,060                             | 4,721            | 1,380                               | 6,942            |
|                                  | \$1,060                           | \$ 4,721         | \$1,430                             | \$ 6,992         |

| (dollars in thousands)           | THIRTEEN WEEKS ENDED JUNE 25, 2017 |                  | TWENTY-SIX WEEKS ENDED JUNE 25, 2017 |                  |
|----------------------------------|------------------------------------|------------------|--------------------------------------|------------------|
|                                  | CARRYING VALUE (1)                 | TOTAL IMPAIRMENT | CARRYING VALUE (1)                   | TOTAL IMPAIRMENT |
| Assets held for sale             | \$—                                | \$ —             | \$400                                | \$ 70            |
| Property, fixtures and equipment | —                                  | 12               | 1,067                                | 862              |
|                                  | \$—                                | \$ 12            | \$1,467                              | \$ 932           |

(1) Carrying value approximates fair value with all assets measured using third-party market appraisals or purchase contracts (Level 2).

Interim Disclosures about Fair Value of Financial Instruments - The Company's non-derivative financial instruments consist of cash equivalents, restricted cash, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying

amounts reported in the Consolidated Balance Sheets due to their short duration.

Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The following table includes the carrying value and fair value of the Company's debt by hierarchy level as of the dates indicated:

| (dollars in thousands)          | JULY 1, 2018      |                       |         | DECEMBER 31, 2017 |                       |         |
|---------------------------------|-------------------|-----------------------|---------|-------------------|-----------------------|---------|
|                                 | CARRYING<br>VALUE | FAIR VALUE<br>LEVEL 2 | LEVEL 3 | CARRYING<br>VALUE | FAIR VALUE<br>LEVEL 2 | LEVEL 3 |
| Senior Secured Credit Facility: |                   |                       |         |                   |                       |         |
| Term loan A                     | \$487,500         | \$486,281             | \$ —    | \$500,000         | \$502,500             | \$ —    |
| Revolving credit facility       | \$633,500         | \$631,916             | \$ —    | \$600,000         | \$598,500             | \$ —    |
| Other notes payable             | \$141             | \$—                   | \$ 135  | \$904             | \$—                   | \$ 891  |

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

Fair value of debt is determined based on the following:

| DEBT FACILITY                  | METHODS AND ASSUMPTIONS  |
|--------------------------------|--|
| Senior Secured Credit Facility | Quoted market prices in inactive markets.  |
| Other notes payable            | Discounted cash flow approach with inputs that primarily include cost of debt interest rates used to determine fair value. |

## 12. Income Taxes

|                           | THIRTEEN<br>WEEKS ENDED<br>JULY 1, 2018 | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, 2017 | THIRTEEN<br>WEEKS ENDED<br>JULY 1, 2018 | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, 2017 |
|---------------------------|---|---|---|---|
| Effective income tax rate | (23.7)%                                 | 7.7 %                                     | (3.6)%                                  | 19.7 %                                    |

The effective income tax rate for the thirteen and twenty-six weeks ended July 1, 2018 decreased by 31.4 and 23.3 percentage points as compared to the thirteen and twenty-six weeks ended June 25, 2017, respectively. The decrease is primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as part of the legislation enacted in December 2017 known as the Tax Cuts and Jobs Act (the "Tax Act"), lower forecasted pre-tax income and excess tax benefits from equity-based compensation arrangements recorded in 2018, partially offset by a domestic manufacturing deduction recorded in 2017.

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen and twenty-six weeks ended July 1, 2018 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips and excess tax benefits from equity-based compensation arrangements.

The Company has applied guidance under SEC Staff Accounting Bulletin No. 118 which allows for a measurement period up to one year after the December 22, 2017 enactment date of the Tax Act to complete the accounting requirements. As of July 1, 2018, the Company made reasonable estimates of the effects of the Tax Act but has not completed its accounting for all tax effects. A provisional \$7.5 million net tax expense was recorded during 2017. With the exception of the retrospective adjustment for the January 2018 adoption of ASU No. 2014-09, no adjustments were made to these provisional amounts during the twenty-six weeks ended July 1, 2018. The Company is continuing to gather information and additional guidance is expected from the U.S. Treasury and state taxing authorities on the application of certain provisions of the Tax Act and will continue to make and refine its calculations as additional analysis is completed. The Company's estimates may also be affected as it gains a more thorough understanding of the tax law. These changes could be material to income tax expense. The Company expects to complete its analysis within the year measurement period.



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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

In connection with its analysis of the impact of the Tax Act, the Company recorded a provisional net tax expense of \$7.5 million in December 2017, as described in the following table:

|  | FISCAL<br>YEAR |
|--|----------------|
| (dollars in thousands)   | 2017           |
| Transition Tax (provisional)   | \$ 100         |
| Net impact on U.S. deferred tax assets and liabilities (provisional) (1)                           | 1,600          |
| Net changes in deferred tax liability associated with anticipated repatriation taxes (provisional) | 200            |
| Impact from the adoption of ASU No. 2014-09 (provisional)  | 5,600          |
|  | \$ 7,500       |

Includes \$4.7 million of expense for a valuation allowance recorded against foreign tax credit carryforwards, \$3.9 (1) million of benefit from the impact of the corporate rate reduction on net deferred tax liability balances, and an expense of \$0.8 million for the write-off of certain deferred tax assets that will no longer be realized.

Items considered provisional include:

**Reduction of U.S. Federal Corporate Income Tax Rate** - The Tax Act reduced the corporate income tax rate to 21%, effective January 1, 2018. While the Company is able to make a reasonable estimate of the impact of the reduction in corporate rate on its deferred tax assets and liabilities, it may be affected by other analyses related to the Tax Act, including, but not limited to, its calculation of deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences.

**Deemed Repatriation Transition Tax** - The Deemed Repatriation Transition Tax ("Transition Tax") is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of the Company's foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The Company is able to make a reasonable estimate of the Transition Tax and recorded a provisional amount. Due to the ability to utilize foreign tax credits in the calculation of the Transition Tax, the obligation primarily related to the estimated state impacts. However, the Company is continuing to gather additional information. Additional guidance from the U.S. Treasury and state taxing authorities on the application of certain provisions of the Tax Act is expected in the future.

**Valuation Allowances** - The Company must assess whether its valuation allowance analyses or deferred tax assets are affected by various aspects of the Tax Act (e.g., deemed repatriation of deferred foreign income, global intangible low-taxed income ("GILTI") inclusions and new categories of foreign tax credits). While the Company did record an additional valuation allowance against foreign tax credit carryforwards, the Company has recorded provisional amounts related to certain portions of the Tax Act and any corresponding determination of the need for a change in a valuation allowance is also provisional.

For tax years beginning after December 31, 2017, the Tax Act subjects a U.S. shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. As of July 1, 2018, the Company has not yet determined its accounting policy with regard to

GILTI, and does not expect GILTI in 2018.

13. Commitments and Contingencies

Litigation and Other Matters - The Company had \$3.5 million and \$4.3 million of liabilities recorded for various legal matters as of July 1, 2018 and December 31, 2017, respectively.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The Company is subject to legal proceedings, claims and liabilities, such as liquor liability, slip and fall cases, wage-and-hour and other employment-related litigation, which arise in the ordinary course of business and are generally covered by insurance if they exceed specified retention or deductible amounts. In the opinion of management, the amount of ultimate liability with respect to those actions will not have a material adverse impact on the Company's financial position or results of operations and cash flows.

Lease Guarantees - The Company assigned its interest, and is contingently liable, under certain real estate leases. These leases have varying terms, the latest of which expires in 2032. As of July 1, 2018, the undiscounted payments the Company could be required to make in the event of non-payment by the primary lessees was approximately \$27.2 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of July 1, 2018 was approximately \$18.7 million. In the event of default, the indemnity clauses in the Company's purchase and sale agreements govern its ability to pursue and recover damages incurred. The Company believes the financial strength and operating history of the lessees' significantly reduces the risk that it will be required to make payments under these leases. Accordingly, no liability has been recorded.

## 14. Segment Reporting

The Company has two reportable segments, U.S. and International, which reflects how the Company manages its business, reviews operating performance and allocates resources. The U.S. segment includes all brands operating in the U.S. while brands operating outside the U.S. are included in the International segment. Resources are allocated and performance is assessed by the Company's Chief Executive Officer ("CEO"), whom the Company has determined to be its Chief Operating Decision Maker ("CODM"). Following is a summary of reporting segments:

| SEGMENT (1)   | CONCEPT                               | GEOGRAPHIC LOCATION      |
|---------------|---------------------------------------|--------------------------|
| U.S.          | Outback Steakhouse                    | United States of America |
|               | Carrabba's Italian Grill              |                          |
|               | Bonefish Grill                        |                          |
|               | Fleming's Prime Steakhouse & Wine Bar |                          |
| International | Outback Steakhouse                    | Brazil, Hong Kong, China |
|               | Carrabba's Italian Grill (Abbraccio)  | Brazil                   |

(1) Includes franchise locations.

Segment accounting policies are the same as those described in Note 2 - Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Revenues for all segments include only transactions with customers and exclude intersegment revenues. Excluded from net income from operations for U.S. and International are certain legal and corporate costs not directly related to the performance of the segments, stock-based compensation expenses and certain bonus expenses.

The following table is a summary of Total revenue by segment:

|                        | THIRTEEN WEEKS ENDED |               | TWENTY-SIX WEEKS ENDED |               |
|------------------------|----------------------|---------------|------------------------|---------------|
|                        | JULY 1, 2018         | JUNE 25, 2017 | JULY 1, 2018           | JUNE 25, 2017 |
| (dollars in thousands) |                      | (Restated)    |                        | (Restated)    |
|                        |                      | (1)           |                        | (1)           |

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|                |             |             |             |             |
|----------------|-------------|-------------|-------------|-------------|
| Total revenues |             |             |             |             |
| U.S.           | \$922,355   | \$920,796   | \$1,921,062 | \$1,964,469 |
| International  | 109,459     | 115,662     | 227,217     | 226,700     |
| Total revenues | \$1,031,814 | \$1,036,458 | \$2,148,279 | \$2,191,169 |

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(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

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BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following table is a reconciliation of Segment income (loss) from operations to Income before (benefit) provision for income taxes:

|  | THIRTEEN    |            | TWENTY-SIX  |            |
|--|-------------|------------|-------------|------------|
|  | WEEKS ENDED |            | WEEKS ENDED |            |
|  | JULY 1,     | JUNE 25,   | JULY 1,     | JUNE 25,   |
|  | 2018        | 2017       | 2018        | 2017       |
|  |             | (Restated) |             | (Restated) |
| (dollars in thousands)                             |             | (1)        |             | (1)        |
| Segment income (loss) from operations              |             |            |             |            |
| U.S.   | \$76,913    | \$74,207   | \$186,047   | \$183,024  |
| International                                      | (2,049 )    | 9,728      | 6,276       | 18,363     |
| Total segment income from operations               | 74,864      | 83,935     | 192,323     | 201,387    |
| Unallocated corporate operating expense            | (41,940 )   | (42,593 )  | (81,028 )   | (83,211 )  |
| Total income from operations                       | 32,924      | 41,342     | 111,295     | 118,176    |
| Loss on extinguishment and modification of debt    | —           | (260 )     | —           | (260 )     |
| Other (expense) income, net                        | (6 )        | 7,281      | (5 )        | 7,230      |
| Interest expense, net                              | (11,319 )   | (9,543 )   | (21,629 )   | (18,684 )  |
| Income before (benefit) provision for income taxes | \$21,599    | \$38,820   | \$89,661    | \$106,462  |

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

The following table is a summary of Depreciation and amortization expense by segment:

|                                     | THIRTEEN    |          | TWENTY-SIX  |          |
|-------------------------------------|-------------|----------|-------------|----------|
|                                     | WEEKS ENDED |          | WEEKS ENDED |          |
|                                     | JULY 1,     | JUNE 25, | JULY 1,     | JUNE 25, |
|                                     | 2018        | 2017     | 2018        | 2017     |
| (dollars in thousands)              |             |          |             |          |
| Depreciation and amortization       |             |          |             |          |
| U.S.                                | \$39,993    | \$37,406 | \$79,267    | \$74,006 |
| International                       | 6,714       | 7,014    | 13,446      | 13,514   |
| Corporate                           | 4,075       | 3,643    | 8,189       | 7,133    |
| Total depreciation and amortization | \$50,782    | \$48,063 | \$100,902   | \$94,653 |

Geographic Areas — International assets are defined as assets residing in a country other than the U.S. The following table details long-lived assets, excluding goodwill, intangible assets and deferred tax assets, by major geographic area:

|                        | JULY 1,     | DECEMBER 31, |
|------------------------|-------------|--------------|
|                        | 2018        | 2017         |
| (dollars in thousands) |             |              |
| U.S.                   | \$1,129,623 | \$1,164,322  |
| International          |             |              |
| Brazil                 | 115,887     | 126,341      |
| Other                  | 18,290      | 18,012       |
| Total assets           | \$1,263,800 | \$1,308,675  |



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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes. Unless the context otherwise indicates, as used in this report, the term the "Company," "we," "us," "our" and other similar terms mean Bloomin' Brands, Inc. and its subsidiaries.

Cautionary Statement

This Quarterly Report on Form 10-Q (the "Report") includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "feels," "seeks," "forecasts," "projects," "intends," "plans," "may," "will," "should," "could" or "would" and their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from statements made or suggested by forward-looking statements include, but are not limited to, the following:

- (i) Consumer reactions to public health and food safety issues;
- (ii) Our ability to compete in the highly competitive restaurant industry with many well-established competitors and new market entrants;
- (iii) Minimum wage increases and additional mandated employee benefits;
- (iv) Economic conditions and their effects on consumer confidence and discretionary spending, consumer traffic, the cost and availability of credit and interest rates;
- (v) Fluctuations in the price and availability of commodities;

(vi) Our ability to effectively respond to changes in patterns of consumer traffic, consumer tastes and dietary habits;

Our ability to comply with governmental laws and regulations, the costs of compliance with such laws and  
(vii) regulations and the effects of changes to applicable laws and regulations, including tax laws and unanticipated liabilities;



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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

- (viii) Our ability to implement our expansion, remodeling and relocation plans due to uncertainty in locating and acquiring attractive sites on acceptable terms, obtaining required permits and approvals, recruiting and training necessary personnel, obtaining adequate financing and estimating the performance of newly opened, remodeled or relocated restaurants;
- (ix) Our ability to protect our information technology systems from interruption or security breach, including cyber security threats, and to protect consumer data and personal employee information;
- (x) The effects of international economic, political and social conditions and legal systems on our foreign operations and on foreign currency exchange rates;
- (xi) Our ability to preserve and grow the reputation and value of our brands, particularly in light of changes in consumer engagement with social media platforms;
- (xii) Any impairment in the carrying value of our goodwill or other intangible or long-lived assets and its effect on our financial condition and results of operations;
- (xiii) Strategic actions, including acquisitions and dispositions, and our success in implementing these initiatives or integrating any acquired or newly created businesses;
- (xiv) Seasonal and periodic fluctuations in our results and the effects of significant adverse weather conditions and other disasters or unforeseen events;
- (xv) The effects of our substantial leverage and restrictive covenants in our various credit facilities on our ability to raise additional capital to fund our operations, to make capital expenditures to invest in new or renovate restaurants and to react to changes in the economy or our industry, and our exposure to interest rate risk in connection with our variable-rate debt;
- (xvi) The adequacy of our cash flow and earnings and other conditions which may affect our ability to pay dividends and repurchase shares of our common stock; and
- (xvii) Such other factors as discussed in Part I, Item IA. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2017.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this Report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of July 1, 2018, we owned and operated 1,197 restaurants and franchised 293 restaurants across 48 states, Puerto Rico, Guam and 19 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

Executive Summary

Our financial results for the thirteen weeks ended July 1, 2018 ("second quarter of 2018") include the following:

A decrease in Total revenues of 0.4% to \$1.0 billion in the second quarter of 2018, as compared to the second quarter of 2017, primarily due to domestic refranchising and foreign currency translation, partially offset by the net impact of restaurant openings and closures and increases from higher U.S. comparable restaurant sales.

Income from operations of \$32.9 million in the second quarter of 2018, as compared to \$41.3 million in the second quarter of 2017, decreased primarily due to impairment expense primarily associated with international restructuring, higher labor and commodity costs and lower sales in Brazil. These decreases were partially offset by increases in average check, certain cost saving initiatives and lower advertising expense.

International Restructuring - During the thirteen and twenty-six weeks ended July 1, 2018, we recognized asset impairment and closure charges of \$6.9 million and \$9.2 million, respectively, related to the restructuring of certain international markets, including China.

Impact of Political Unrest in Brazil

Recently, there has been a growing level of unrest in Brazil ahead of the upcoming presidential election, including a truckers strike during the second quarter of 2018 that resulted in lost operating days for many businesses, including our restaurants. We believe consumer confidence will resume the upward trend it has been on for the last few years following the October presidential election as we move into 2019.

Key Performance Indicators

Key measures that we use in evaluating our restaurants and assessing our business include the following:

• Average restaurant unit volumes—average sales (excluding gift card breakage) per restaurant to measure changes in customer traffic, pricing and development of the brand;

• Comparable restaurant sales—year-over-year comparison of sales volumes (excluding gift card breakage) for Company-owned restaurants that are open 18 months or more in order to remove the impact of new restaurant openings in comparing the operations of existing restaurants;

• System-wide sales—total restaurant sales volume for all Company-owned and franchise restaurants, regardless of ownership, to interpret the overall health of our brands;

•

Restaurant-level operating margin, Income from operations, Net income and Diluted earnings per share — financial measures utilized to evaluate our operating performance.

Restaurant-level operating margin is widely regarded in the industry as a useful metric to evaluate restaurant level operating efficiency and performance of ongoing restaurant-level operations, and we use it for these purposes, overall and particularly within our two segments. Our restaurant-level operating margin is expressed

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

as the percentage of our Restaurant sales that Cost of sales, Labor and other related and Other restaurant operating (including advertising expenses) represent, in each case as such items are reflected in our Consolidated Statement of Operations. The following categories of our revenue and operating expenses are not included in restaurant-level operating margin because we do not consider them reflective of operating performance at the restaurant-level within a period:

- (i) Franchise and other revenues which are earned primarily from franchise royalties and other non-food and beverage revenue streams, such as rental and sublease income.
- (ii) Depreciation and amortization which, although substantially all of which is related to restaurant-level assets, represent historical sunk costs rather than cash outlays for the restaurants.
- (iii) General and administrative expense which includes primarily non-restaurant-level costs associated with support of the restaurants and other activities at our corporate offices.
- (iv) Asset impairment charges and restaurant closing costs which are not reflective of ongoing restaurant performance in a period.

Restaurant-level operating margin excludes various expenses, as discussed above, that are essential to support the operations of our restaurants and may materially impact our Consolidated Statement of Operations. As a result, restaurant-level operating margin is not indicative of our consolidated results of operations and is presented exclusively as a supplement to, and not a substitute for, net income or income from operations. In addition, our presentation of restaurant operating margin may not be comparable to similarly titled measures used by other companies in our industry;

Adjusted restaurant-level operating margin, Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share—non-GAAP financial measures utilized to evaluate our operating performance.

We believe that our use of non-GAAP financial measures permits investors to assess the operating performance of our business relative to our performance based on U.S. GAAP results and relative to other companies within the restaurant industry by isolating the effects of certain items that may vary from period to period without correlation to core operating performance or that vary widely among similar companies. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items or that the items for which we have made adjustments are unusual or infrequent or will not recur. We believe that the disclosure of these non-GAAP measures is useful to investors as they form part of the basis for how our management team and Board of Directors evaluate our operating performance, allocate resources and administer employee incentive plans; and

Customer satisfaction scores—measurement of our customers' experiences in a variety of key areas.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Selected Operating Data

The table below presents the number of our restaurants in operation at the end of the periods indicated:

| Number of restaurants (at end of the period): | JULY 1, JUNE 25, |       |
|---|------------------|-------|
|   | 2018             | 2017  |
| U.S.  |                  |       |
| Outback Steakhouse                            |                  |       |
| Company-owned                                 | 583              | 584   |
| Franchised                                    | 154              | 158   |
| Total   | 737              | 742   |
| Carrabba's Italian Grill                      |                  |       |
| Company-owned                                 | 224              | 227   |
| Franchised                                    | 3                | 3     |
| Total   | 227              | 230   |
| Bonefish Grill                                |                  |       |
| Company-owned                                 | 192              | 196   |
| Franchised                                    | 7                | 7     |
| Total   | 199              | 203   |
| Fleming's Prime Steakhouse & Wine Bar         |                  |       |
| Company-owned                                 | 70               | 67    |
| Express                                       |                  |       |
| Company-owned                                 | 5                | —     |
| U.S. Total                                    | 1,238            | 1,242 |
| International                                 |                  |       |
| Company-owned                                 |                  |       |
| Outback Steakhouse - Brazil (1)               | 92               | 85    |
| Other   | 31               | 33    |
| Franchised                                    |                  |       |
| Outback Steakhouse - South Korea              | 74               | 74    |
| Other   | 55               | 54    |
| International Total                           | 252              | 246   |
| System-wide total                             | 1,490            | 1,488 |

(1) The restaurant counts for Brazil are reported as of May 31, 2018 and 2017, respectively, to correspond with the balance sheet dates of this subsidiary.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Results of Operations

The following table sets forth, for the periods indicated, the percentages of certain items in our Consolidated Statements of Operations in relation to Total revenues or Restaurant sales, as indicated:

|   | THIRTEEN<br>WEEKS ENDED<br>JULY 1, 2018 |        | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, 2017 |        |
|---|---|--------|---|--------|
| Revenues  |   |        |   |        |
| Restaurant sales  | 98.4                                    | % 98.5 | % 98.4                                    | % 98.8 |
| Franchise and other revenues                              | 1.6                                     | 1.5    | 1.6                                       | 1.2    |
| Total revenues  | 100.0                                   | 100.0  | 100.0                                     | 100.0  |
| Costs and expenses  |   |        |   |        |
| Cost of sales (1)   | 31.8                                    | 31.6   | 31.9                                      | 31.8   |
| Labor and other related (1)                               | 29.7                                    | 29.2   | 29.0                                      | 28.7   |
| Other restaurant operating (1)                            | 23.5                                    | 24.3   | 23.3                                      | 23.1   |
| Depreciation and amortization                             | 4.9                                     | 4.6    | 4.7                                       | 4.3    |
| General and administrative                                | 7.4                                     | 7.4    | 6.7                                       | 6.8    |
| Provision for impaired assets and restaurant closings     | 0.9                                     | 0.1    | 0.5                                       | 0.9    |
| Total costs and expenses                                  | 96.8                                    | 96.0   | 94.8                                      | 94.6   |
| Income from operations                                    | 3.2                                     | 4.0    | 5.2                                       | 5.4    |
| Loss on extinguishment and modification of debt           | —                                       | (*)    | —   | (*)    |
| Other (expense) income, net                               | (*)                                     | 0.7    | (*)                                       | 0.3    |
| Interest expense, net                                     | (1.1 )                                  | (0.9 ) | (1.0 )                                    | (0.8 ) |
| Income before (benefit) provision for income taxes        | 2.1                                     | 3.8    | 4.2                                       | 4.9    |
| (Benefit) provision for income taxes                      | (0.5 )                                  | 0.3    | (0.1 )                                    | 1.0    |
| Net income  | 2.6                                     | 3.5    | 4.3                                       | 3.9    |
| Less: net income attributable to noncontrolling interests | *                                       | 0.1    | *   | 0.1    |
| Net income attributable to Bloomin' Brands                | 2.6                                     | % 3.4  | % 4.3                                     | % 3.8  |

(1) As a percentage of Restaurant sales.

\*Less than 1/10<sup>th</sup> of one percent of Total revenues.

## RESTAURANT SALES

Following is a summary of the change in Restaurant sales for the thirteen and twenty-six weeks ended July 1, 2018:

| (dollars in millions)   | THIRTEEN<br>WEEKS<br>ENDED | TWENTY-SIX<br>WEEKS<br>ENDED |
|---|----------------------------|------------------------------|
| For the periods ended June 25, 2017 (1)                       | \$ 1,021.2                 | \$ 2,165.0                   |
| Change from:  |                            |                              |
| Divestiture of restaurants through refranchising transactions | (14.9 )                    | (64.4 )                      |
| Effect of foreign currency translation                        | (8.3 )                     | (9.0 )                       |
| Restaurant closings   | (7.5 )                     | (23.2 )                      |
| Restaurant openings (2)                                       | 17.0                       | 30.7                         |

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|                                    |            |            |
|------------------------------------|------------|------------|
| Comparable restaurant sales (2)    | 7.9        | 15.4       |
| For the periods ended July 1, 2018 | \$ 1,015.4 | \$ 2,114.5 |

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(1) Restaurant sales have been restated for the thirteen and twenty-six weeks ended June 25, 2017. See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

(2) The twenty-six weeks ended July 1, 2018 includes an approximate \$19.0 million negative impact on Restaurant sales from a one-week shift in the fiscal calendar.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

The decrease in Restaurant sales in the thirteen weeks ended July 1, 2018 was primarily attributable to: (i) domestic refranchising, (ii) the effect of foreign currency translation primarily due to the depreciation of the Brazil Real and (iii) the closing of 21 restaurants since March 26, 2017. The decrease in restaurant sales was partially offset by the opening of 40 new restaurants not included in our comparable restaurant sales base and higher U.S. comparable restaurant sales.

The decrease in Restaurant sales in the twenty-six weeks ended July 1, 2018 was primarily attributable to: (i) domestic refranchising, (ii) the closing of 58 restaurants since December 25, 2016, (iii) the one-week shift in the fiscal calendar and (iv) the effect of foreign currency translation primarily due to the depreciation of the Brazil Real. The decrease in restaurant sales was partially offset by the opening of 47 new restaurants not included in our comparable restaurant sales base and higher U.S. comparable restaurant sales.

The twenty-six weeks ended June 25, 2017 included several high-volume days between December 26th and December 31st and the twenty-six weeks ended July 1, 2018 excluded these high-volume days. This shift had an approximate \$19.0 million negative impact on Restaurant sales in 2018.

## Average Restaurant Unit Volumes and Operating Weeks

Following is a summary of the average restaurant unit volumes and operating weeks:

|   | THIRTEEN<br>WEEKS ENDED<br>JULY 1, JUNE 25,<br>2018 |                   | TWENTY-SIX<br>WEEKS ENDED<br>JULY 1, JUNE 25,<br>2018 |                   |
|---|---|-------------------|---|-------------------|
|   | 2017  | (Restated)<br>(1) | 2017  | (Restated)<br>(1) |
| Average restaurant unit volumes:                    |   |                   |   |                   |
| U.S.  |   |                   |   |                   |
| Outback Steakhouse                                  | \$68,290  | \$65,766          | \$71,366  | \$69,007          |
| Carrabba's Italian Grill                            | \$56,131  | \$56,959          | \$57,809  | \$58,271          |
| Bonefish Grill                                      | \$59,642  | \$59,161          | \$60,923  | \$61,070          |
| Fleming's Prime Steakhouse & Wine Bar International | \$80,563  | \$80,470          | \$85,344  | \$84,548          |
| Outback Steakhouse - Brazil (2)                     | \$74,225  | \$86,653          | \$79,324  | \$85,925          |
| Operating weeks:                                    |   |                   |   |                   |
| U.S.  |   |                   |   |                   |
| Outback Steakhouse                                  | 7,586   | 7,821             | 15,180  | 16,193            |
| Carrabba's Italian Grill                            | 2,912   | 2,956             | 5,836   | 6,024             |
| Bonefish Grill                                      | 2,499   | 2,548             | 5,021   | 5,148             |
| Fleming's Prime Steakhouse & Wine Bar International | 910   | 871               | 1,808   | 1,749             |
| Outback Steakhouse - Brazil                         | 1,183   | 1,106             | 2,306   | 2,173             |

Activity has been restated for the retrospective adoption of ASU No. 2014-09. See Note 1 - Description of the (1) Business and Basis of Presentation of the Notes to Consolidated Financial Statements for details regarding the impact of implementing ASU No. 2014-09.

(2)



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Translated at an average exchange rate of 3.43 and 3.16 for the thirteen weeks ended July 1, 2018 and June 25, 2017, respectively, and 3.34 and 3.19 for the twenty-six weeks ended July 1, 2018 and June 25, 2017, respectively.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Comparable Restaurant Sales, Traffic and Average Check Per Person Increases

Following is a summary of comparable restaurant sales, traffic and average check per person increases:

|  | THIRTEEN<br>WEEKS ENDED<br>JULY<br>1,<br>2018<br>(1) |   | TWENTY-SIX<br>WEEKS ENDED<br>JULY<br>1,<br>2018<br>(1)(2) |   | TWENTY-SIX<br>WEEKS ENDED<br>JULY<br>1,<br>2017<br>(2) |   |
|--|--|---|---|---|--|---|
| Year over year percentage change:                                |  |   |   |   |  |   |
| Comparable restaurant sales (stores open 18 months or more) (3): |  |   |   |   |  |   |
| U.S.   |  |   |   |   |  |   |
| Outback Steakhouse   | 4.0  | % | 0.3   | % | 4.2  | % |
| Carrabba's Italian Grill   | (0.6)  | % | 0.4   | % | 0.3  | % |
| Bonefish Grill   | 1.5  | % | (2.6)   | % | 0.7  | % |
| Fleming's Prime Steakhouse & Wine Bar                            | 0.3  | % | (1.3)   | % | 1.6  | % |
| Combined U.S.  | 2.4  | % | (0.3)   | % | 2.7  | % |
| International  |  |   |   |   |  |   |
| Outback Steakhouse - Brazil (4)                                  | (6.1)  | % | 12.6  | % | (2.6)  | % |
| Traffic:   |  |   |   |   |  |   |
| U.S.   |  |   |   |   |  |   |
| Outback Steakhouse   | 0.6  | % | (0.8)   | % | 1.5  | % |
| Carrabba's Italian Grill   | (5.8)  | % | (2.0)   | % | (5.7)  | % |
| Bonefish Grill   | (1.2)  | % | (3.1)   | % | (1.9)  | % |
| Fleming's Prime Steakhouse & Wine Bar                            | (7.7)  | % | (5.5)   | % | (4.9)  | % |
| Combined U.S.  | (1.2)  | % | (1.5)   | % | (0.6)  | % |
| International  |  |   |   |   |  |   |
| Outback Steakhouse - Brazil                                      | (7.7)  | % | 3.2   | % | (4.7)  | % |
| Average check per person increases (5):                          |  |   |   |   |  |   |
| U.S.   |  |   |   |   |  |   |
| Outback Steakhouse   | 3.4  | % | 1.1   | % | 2.7  | % |
| Carrabba's Italian Grill   | 5.2  | % | 2.4   | % | 6.0  | % |
| Bonefish Grill   | 2.7  | % | 0.5   | % | 2.6  | % |
| Fleming's Prime Steakhouse & Wine Bar                            | 8.0  | % | 4.2   | % | 6.5  | % |
| Combined U.S.  | 3.6  | % | 1.2   | % | 3.3  | % |
| International  |  |   |   |   |  |   |
| Outback Steakhouse - Brazil                                      | 1.9  | % | 8.2   | % | 2.4  | % |

For Q2 2018, comparable restaurant sales and traffic compare the thirteen weeks from April 2, 2018 through July (1) 1, 2018 to the thirteen weeks from April 3, 2017 through July 2, 2017, and for the twenty-six weeks from January 1, 2018 through July 1, 2018 to the twenty-six weeks from January 2, 2017 through July 2, 2017.

(2) Comparative restaurant sales and average check per person for the twenty-six weeks ended July 1, 2018 have been revised from those previously disclosed in our earnings release issued on July 30, 2018.

(3)

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Comparable restaurant sales exclude the effect of fluctuations in foreign currency rates. Relocated international restaurants closed more than 30 days and relocated U.S. restaurants closed more than 60 days are excluded from comparable restaurant sales until at least 18 months after reopening.

(4) Includes trading day impact from calendar period reporting.

(5) Average check per person includes the impact of menu pricing changes, product mix and discounts.

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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Franchise and other revenues

|                              | THIRTEEN<br>WEEKS<br>ENDED |                   | TWENTY-SIX<br>WEEKS ENDED |                   |
|------------------------------|----------------------------|-------------------|---------------------------|-------------------|
|                              | JULY 1,<br>2018            | JUNE 25,<br>2017  | JULY 1,<br>2018           | JUNE 25,<br>2017  |
| (dollars in millions)        |                            | (Restated)<br>(1) |                           | (Restated)<br>(1) |
| Franchise revenues (2)       | \$ 13.1                    | \$ 11.6           | \$ 27.4                   | \$ 20.7           |
| Other revenues               | 3.2                        | 3.7               | 6.4                       | 5.5               |
| Franchise and other revenues | \$ 16.3                    | \$ 15.3           | \$ 33.8                   | \$ 26.2           |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

(2) Represents franchise royalties and initial franchise fees.

## COSTS AND EXPENSES

## Cost of sales

|                       | THIRTEEN<br>WEEKS ENDED |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |        |
|-----------------------|-------------------------|------------------|--------|---------------------------|------------------|--------|
|                       | JULY 1,<br>2018         | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change |
| (dollars in millions) |                         |                  |        |                           |                  |        |
| Cost of sales         | \$ 322.8                | \$ 323.1         |        | \$ 674.9                  | \$ 687.9         |        |
| % of Restaurant sales | 31.8 %                  | 31.6 %           | 0.2 %  | 31.9 %                    | 31.8 %           | 0.1 %  |

Cost of sales increased as a percentage of Restaurant sales in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017 primarily due to 1.0% for commodity cost inflation. The increase was partially offset primarily by decreases as a percentage of Restaurant sales of 0.6% for changes in average check per person and 0.2% from the impact of certain cost saving initiatives.

Cost of sales increased as a percentage of Restaurant sales in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017 primarily due to 0.9% for commodity cost inflation. The increase was offset primarily by decreases as a percentage of Restaurant sales of 0.7% for changes in average check per person and 0.2% from the impact of certain cost saving initiatives.

## Labor and other related expenses

|                         | THIRTEEN<br>WEEKS ENDED |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |        |
|-------------------------|-------------------------|------------------|--------|---------------------------|------------------|--------|
|                         | JULY 1,<br>2018         | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change |
| (dollars in millions)   |                         |                  |        |                           |                  |        |
| Labor and other related | \$ 301.9                | \$ 297.9         |        | \$ 613.0                  | \$ 622.3         |        |
| % of Restaurant sales   | 29.7 %                  | 29.2 %           | 0.5 %  | 29.0 %                    | 28.7 %           | 0.3 %  |

Labor and other related expenses increased as a percentage of Restaurant sales in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017 primarily due to 0.8% from higher labor costs from wage rate increases and 0.3% from favorable resolution of certain legal contingencies in 2017. These increases were partially offset by decreases as a percentage of Restaurant sales of 0.3% from increases in average check per person and 0.3% from the impact of certain cost saving initiatives.

Labor and other related expenses increased as a percentage of Restaurant sales in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017 primarily due to 0.9% from higher labor costs from wage rate increases. The increase was partially offset by decreases as a percentage of Restaurant sales of 0.4% from increases in average check per person and 0.3% from the impact of certain cost saving initiatives.

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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Other restaurant operating expenses

|                            | THIRTEEN<br>WEEKS ENDED |                   |        | TWENTY-SIX<br>WEEKS ENDED |                  |        |
|----------------------------|-------------------------|-------------------|--------|---------------------------|------------------|--------|
|                            | JULY 1,<br>2018         | JUNE 25,<br>2017  | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change |
| (dollars in millions)      |                         | (Restated)<br>(1) |        | (Restated)<br>(1)         |                  |        |
| Other restaurant operating | \$238.4                 | \$248.4           |        | \$491.7                   | \$499.5          |        |
| % of Restaurant sales      | 23.5 %                  | 24.3 %            | (0.8)% | 23.3 %                    | 23.1 %           | 0.2 %  |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

Other restaurant operating expenses decreased as a percentage of Restaurant sales in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017 primarily due to: (i) 0.5% from decreases in advertising expense, (ii) 0.3% from the impact of certain cost saving initiatives and (iii) 0.2% from increases in average check per person. These decreases were partially offset by increases as a percentage of Restaurant sales of 0.2% from operating expense inflation.

Other restaurant operating expenses increased as a percentage of Restaurant sales in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017 primarily due to 0.3% from operating expense inflation and 0.3% from the impact of the write-off of deferred rent liabilities in 2017. These increases were partially offset by decreases as a percentage of Restaurant sales of 0.3% from the impact of certain cost saving initiatives and 0.2% from decreases in advertising expense.

## Depreciation and amortization

|                               | THIRTEEN<br>WEEKS<br>ENDED |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |        |
|-------------------------------|----------------------------|------------------|--------|---------------------------|------------------|--------|
|                               | JULY 1,<br>2018            | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change |
| (dollars in millions)         |                            |                  |        |                           |                  |        |
| Depreciation and amortization | \$50.8                     | \$48.1           | \$2.7  | \$100.9                   | \$94.7           | \$6.2  |

Depreciation and amortization expense increased in the thirteen and twenty-six weeks ended July 1, 2018 as compared to the thirteen and twenty-six weeks ended June 25, 2017 primarily due to additional depreciation expense related to restaurant openings and renovations, and technology projects, partially offset by the impact of domestic refranchising.

## General and administrative

General and administrative expense includes salaries and benefits, management incentive programs, related payroll tax and benefits, other employee-related costs and professional services. Following is a summary of the change in general and administrative expense for the thirteen and twenty-six weeks ended July 1, 2018:

|                       | THIRTEEN       |                | TWENTY-SIX     |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | WEEKS<br>ENDED | WEEKS<br>ENDED | WEEKS<br>ENDED | WEEKS<br>ENDED |
| (dollars in millions) |                |                |                |                |

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|  |         |   |          |
|--|---------|---|----------|
| For the periods ended June 25, 2017    | \$ 77.1 |   | \$ 149.0 |
| Change from:                           |         |   |          |
| Incentive compensation                 | (2.1    | ) | (1.9 )   |
| Compensation, benefits and payroll tax | (1.7    | ) | (2.1 )   |
| Computer expense                       | 1.0     |   | 2.1      |
| Severance                              | 0.8     |   | (0.6 )   |
| Other                                  | 1.0     |   | (1.7 )   |
| For the periods ended July 1, 2018     | \$ 76.1 |   | \$ 144.8 |

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Provision for impaired assets and restaurant closings

| (dollars in millions)                                 | THIRTEEN<br>WEEKS<br>ENDED |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |          |
|---|----------------------------|------------------|--------|---------------------------|------------------|----------|
|   | JULY 1,<br>2018            | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change   |
| Provision for impaired assets and restaurant closings | \$ 8.9                     | \$ 0.6           | \$ 8.3 | \$ 11.6                   | \$ 19.7          | \$(8.1 ) |

During the thirteen and twenty-six weeks ended July 1, 2018, we recognized asset impairment and closure charges of \$6.9 million and \$9.2 million, respectively, related to the restructuring of certain international markets, including China.

In connection with the Closure Initiatives, we recognized pre-tax impairment and restaurant and closure charges of \$18.0 million during the twenty-six weeks ended June 25, 2017. We expect to incur additional charges of approximately \$3.2 million to \$4.0 million for the Closure Initiatives through Q3 2019, including costs associated with lease obligations.

The remaining restaurant impairment and closing charges resulted primarily from the carrying value of a restaurant's assets exceeding its estimated fair market value, primarily due to locations identified for remodel, relocation or closure.

See Note 3 - Impairments and Exit Costs of the Notes to Consolidated Financial Statements for further information.

## Income from operations

| (dollars in millions)  | THIRTEEN<br>WEEKS ENDED |                              |          | TWENTY-SIX<br>WEEKS ENDED |                               |          |
|------------------------|-------------------------|------------------------------|----------|---------------------------|-------------------------------|----------|
|                        | JULY 1,<br>2018         | JUNE 25,<br>2017             | Change   | JULY 1,<br>2018           | JUNE 25,<br>2017              | Change   |
| Income from operations | \$32.9                  | \$ 41.3<br>(Restated)<br>(1) | \$(8.4)  | \$ 111.3                  | \$ 118.2<br>(Restated)<br>(1) | \$(6.9)  |
| % of Total revenues    | 3.2                     | % 4.0                        | % (0.8 ) | % 5.2                     | % 5.4                         | % (0.2 ) |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

The decrease in income from operations generated in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017 was primarily due to: (i) higher impairment charges and restaurant closing costs, primarily associated with international restructuring, (ii) higher labor costs from wage inflation, (iii) higher commodity costs and (iv) lower sales in Brazil. These decreases were partially offset by increases primarily due to: (i) increases in average check per person, (ii) the impact of certain cost saving initiatives and (iii) decreases in advertising expense.

The decrease in income from operations generated in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017 was primarily due to: (i) higher labor costs from wage inflation, (ii) higher



commodity costs and (iii) operating expense inflation. These decreases were partially offset by increases primarily due to: (i) increases in average check per person, (ii) the impact of certain cost saving initiatives, (iii) lower impairment charges and restaurant closing costs, primarily related to the Closure Initiatives in 2017 and (iv) increases in franchise and other revenues.

Other (expense) income, net

Other (expense) income, net, includes items deemed to be non-operating based on management's assessment of the nature of the item in relation to our core operations. During the thirteen and twenty-six weeks ended June 25, 2017 we recorded aggregate net gain of \$7.4 million within Other (expense) income, net in connection with the sale of 54 of our U.S. Company-owned locations to two of our existing franchisees.

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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Interest expense, net

| (dollars in millions) | THIRTEEN<br>WEEKS<br>ENDED |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |         |
|-----------------------|----------------------------|------------------|--------|---------------------------|------------------|---------|
|                       | JULY 1,<br>2018            | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change  |
|                       | Interest expense, net      | \$ 11.3          | \$ 9.5 | \$ 1.8                    | \$ 21.6          | \$ 18.7 |

The change in Interest expense, net primarily includes increases related to: (i) additional draws on our revolving credit facility, (ii) our May 2017 incremental term loan borrowing and (iii) higher interest rates. These increases were partially offset by: (i) lower interest from our derivative instruments and (ii) repayment of our PRP mortgage loan.

## (Benefit) provision for income taxes

|  | THIRTEEN<br>WEEKS ENDED   |                  |        | TWENTY-SIX<br>WEEKS ENDED |                  |        |
|--|---------------------------|------------------|--------|---------------------------|------------------|--------|
|  | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change | JULY 1,<br>2018           | JUNE 25,<br>2017 | Change |
|  | Effective income tax rate | (23.7)%          | 7.7 %  | (31.4)%                   | (3.6)%           | 19.7 % |

The effective income tax rate for the thirteen and twenty-six weeks ended July 1, 2018 decreased primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as part of the Tax Act, lower forecasted pre-tax income and excess tax benefits from equity-based compensation arrangements recorded in 2018, partially offset by a domestic manufacturing deduction recorded in 2017.

## SEGMENT PERFORMANCE

We have two reportable segments, U.S. and International, which reflects how we manage our business, review operating performance and allocate resources. The U.S. segment includes all brands operating in the U.S. while brands operating outside the U.S. are included in the International segment. Resources are allocated and performance is assessed by our CEO, whom we have determined to be our CODM. Following is a summary of reporting segments:

| SEGMENT (1)   | CONCEPT                               | GEOGRAPHIC LOCATION      |
|---------------|---------------------------------------|--------------------------|
| U.S.          | Outback Steakhouse                    | United States of America |
|               | Carrabba's Italian Grill              |                          |
|               | Bonefish Grill                        |                          |
|               | Fleming's Prime Steakhouse & Wine Bar |                          |
| International | Outback Steakhouse                    | Brazil, Hong Kong, China |
|               | Carrabba's Italian Grill (Abbraccio)  | Brazil                   |

(1) Includes franchise locations.

Revenues for both segments include only transactions with customers and exclude intersegment revenues. Excluded from net income from operations for U.S. and International are legal and certain corporate costs not directly related to the performance of the segments, certain stock-based compensation expenses and certain bonus expenses.



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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Following is a reconciliation of segment income (loss) from operations to the consolidated operating results:

|  | THIRTEEN    |            | TWENTY-SIX  |            |
|--|-------------|------------|-------------|------------|
|  | WEEKS ENDED |            | WEEKS ENDED |            |
|  | JULY 1,     | JUNE 25,   | JULY 1,     | JUNE 25,   |
|  | 2018        | 2017       | 2018        | 2017       |
|  |             | (Restated) |             | (Restated) |
| (dollars in thousands)                             |             | (1)        |             | (1)        |
| Segment income (loss) from operations              |             |            |             |            |
| U.S.   | \$76,913    | \$74,207   | \$186,047   | \$183,024  |
| International                                      | (2,049 )    | 9,728      | 6,276       | 18,363     |
| Total segment income from operations               | 74,864      | 83,935     | 192,323     | 201,387    |
| Unallocated corporate operating expense            | (41,940 )   | (42,593 )  | (81,028 )   | (83,211 )  |
| Total income from operations                       | 32,924      | 41,342     | 111,295     | 118,176    |
| Loss on extinguishment and modification of debt    | —           | (260 )     | —           | (260 )     |
| Other (expense) income, net                        | (6 )        | 7,281      | (5 )        | 7,230      |
| Interest expense, net                              | (11,319 )   | (9,543 )   | (21,629 )   | (18,684 )  |
| Income before (benefit) provision for income taxes | \$21,599    | \$38,820   | \$89,661    | \$106,462  |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

Restaurant-level operating margin is widely regarded in the industry as a useful metric to evaluate restaurant-level operating efficiency and performance of ongoing restaurant-level operations, and we use it for these purposes, overall and particularly within our two segments. See the Overview-Key Performance Indicators section of Management's Discussion and Analysis for additional details regarding the calculation of restaurant-level operating margin.

## U.S. Segment

|                                   | THIRTEEN WEEKS |            | TWENTY-SIX WEEKS |                |
|-----------------------------------|----------------|------------|------------------|----------------|
|                                   | ENDED          |            | ENDED            |                |
|                                   | JULY 1,        | JUNE 25,   | JULY 1,          | JUNE 25,       |
|                                   | 2018           | 2017       | 2018             | 2017           |
|                                   |                | (Restated) |                  | (Restated) (1) |
| (dollars in thousands)            |                | (1)        |                  | (1)            |
| Revenues                          |                |            |                  |                |
| Restaurant sales                  | \$908,937      | \$908,264  | \$1,893,281      | \$1,943,819    |
| Franchise and other revenues      | 13,418         | 12,532     | 27,781           | 20,650         |
| Total revenues                    | \$922,355      | \$920,796  | \$1,921,062      | \$1,964,469    |
| Restaurant-level operating margin | 14.5 %         | 13.8 %     | 15.4 %           | 15.8 %         |
| Income from operations            | \$76,913       | \$74,207   | \$186,047        | \$183,024      |
| Operating income margin           | 8.3 %          | 8.1 %      | 9.7 %            | 9.3 %          |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.



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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Restaurant sales

Following is a summary of the change in U.S. segment Restaurant sales for the thirteen and twenty-six weeks ended July 1, 2018:

| (dollars in millions)   | THIRTEEN | TWENTY-SIX |
|---|----------|------------|
|   | WEEKS    | WEEKS      |
|   | ENDED    | ENDED      |
| For the periods ended June 25, 2017 (1)                       | \$ 908.3 | \$ 1,943.8 |
| Change from:  |          |            |
| Comparable restaurant sales (2)                               | 14.3     | 21.1       |
| Restaurant openings (2)                                       | 6.3      | 11.9       |
| Divestiture of restaurants through refranchising transactions | (14.9 )  | (64.4 )    |
| Restaurant closings   | (5.1 )   | (19.1 )    |
| For the periods ended July 1, 2018                            | \$ 908.9 | \$ 1,893.3 |

(1) Restaurant sales have been restated for the thirteen and twenty-six weeks ended June 25, 2017. See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

(2) The twenty-six weeks ended July 1, 2018 includes an approximate \$19.0 million negative impact on Restaurant sales from a one-week shift in the fiscal calendar.

The increase in U.S. Restaurant sales in the thirteen weeks ended July 1, 2018 was primarily attributable to higher comparable restaurant sales and the opening of 15 new restaurants not included in our comparable restaurant sales base. These increases in restaurant sales were partially offset by the refranchising of certain Company-owned restaurants and the closing of nine restaurants since March 26, 2017.

The decrease in U.S. Restaurant sales in the twenty-six weeks ended July 1, 2018 was primarily attributable to the refranchising of certain Company-owned restaurants, the closing of 46 restaurants since December 25, 2016 and the one-week shift in the fiscal calendar. The decrease in restaurant sales was partially offset by higher comparable restaurant sales and the opening of 15 new restaurants not included in our comparable restaurant sales base.

## Income from operations

The increase in U.S. income from operations generated in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017, was primarily due to: (i) increases in average check per person, (ii) the impact of certain cost saving initiatives and (iii) decreases in advertising expense. These increases were partially offset by decreases primarily due to higher labor costs from wage inflation and higher commodity costs.

The increase in U.S. income from operations generated in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017, was primarily due to: (i) increases in average check per person, (ii) lower impairment charges and restaurant closing costs, primarily related to the Closure Initiatives in 2017, (iii) the impact of certain cost saving initiatives and (iv) increases in franchise and other revenues. These increases were partially offset by decreases primarily due to: (i) higher labor costs from wage inflation, (ii) higher commodity costs and (iii) operating expense inflation.



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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## International Segment

|                                   | THIRTEEN WEEKS<br>ENDED |                                       | TWENTY-SIX WEEKS<br>ENDED |                                       |
|-----------------------------------|-------------------------|---------------------------------------|---------------------------|---------------------------------------|
|                                   | JULY 1,<br>2018         | JUNE 25,<br>2017<br>(Restated)<br>(1) | JULY 1,<br>2018           | JUNE 25,<br>2017<br>(Restated)<br>(1) |
| (dollars in thousands)            |                         |                                       |                           |                                       |
| Revenues                          |                         |                                       |                           |                                       |
| Restaurant sales                  | \$ 106,547              | \$ 112,920                            | \$ 221,206                | \$ 221,196                            |
| Franchise and other revenues      | 2,912                   | 2,742                                 | 6,011                     | 5,504                                 |
| Total revenues                    | \$ 109,459              | \$ 115,662                            | \$ 227,217                | \$ 226,700                            |
| Restaurant-level operating margin | 17.7 %                  | 21.1 %                                | 18.6 %                    | 20.7 %                                |
| (Loss) income from operations     | \$(2,049 )              | \$ 9,728                              | \$ 6,276                  | \$ 18,363                             |
| Operating (loss) income margin    | (1.9 )%                 | 8.4 %                                 | 2.8 %                     | 8.1 %                                 |

(1) See Note 1 of the Notes to Consolidated Financial Statements for details of the impact of implementing ASU No. 2014-09.

## Restaurant sales

Following is a summary of the change in International segment Restaurant sales for the thirteen and twenty-six weeks ended July 1, 2018:

| (dollars in millions)                  | THIRTEEN       | TWENTY-SIX     |
|--|----------------|----------------|
|  | WEEKS<br>ENDED | WEEKS<br>ENDED |
| For the periods ended June 25, 2017    | \$ 112.9       | \$ 221.2       |
| Change from:                           |                |                |
| Effect of foreign currency translation | (8.3 )         | (9.0 )         |
| Comparable restaurant sales            | (6.4 )         | (5.7 )         |
| Restaurant closings                    | (2.4 )         | (4.1 )         |
| Restaurant openings                    | 10.7           | 18.8           |
| For the periods ended July 1, 2018     | \$ 106.5       | \$ 221.2       |

The decrease in Restaurant sales in the thirteen weeks ended July 1, 2018 was primarily attributable to: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar, (ii) lower comparable restaurant sales and (iii) the closing of 12 restaurants since March 26, 2017, partially offset by the opening of 25 new restaurants not included in our comparable restaurant sales base.

The slight increase in Restaurant sales in the twenty-six weeks ended July 1, 2018 was primarily attributable to the opening of 32 new restaurants not included in our comparable restaurant sales base partially offset by: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar, (ii) lower comparable restaurant sales and (iii) the closing of 12 restaurants since December 25, 2016.

## Income from operations



The decrease in International income from operations in the thirteen weeks ended July 1, 2018 as compared to the thirteen weeks ended June 25, 2017 was primarily due to: (i) certain impairment charges and restaurant closing costs, (ii) lower sales in Brazil, (iii) labor, operating expense and commodity inflation, (iv) favorable resolution of certain legal contingencies in 2017 and (v) changes in product mix. These decreases were partially offset by increases in average check per person.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

The decrease in International income from operations in the twenty-six weeks ended July 1, 2018 as compared to the twenty-six weeks ended June 25, 2017 was primarily due to: (i) certain impairment charges and restaurant closing costs, (ii) labor, operating expense and commodity inflation, (iii) changes in product mix and (iv) increases in advertising expense. These decreases were partially offset by increases in average check per person.

## Non-GAAP Financial Measures

**System-Wide Sales** - System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. Management uses this information to make decisions about future plans for the development of additional restaurants and new concepts, as well as evaluation of current operations. System-wide sales comprise sales of Company-owned and franchised restaurants. For a summary of sales of Company-owned restaurants, refer to Note 2 - Revenue Recognition of the Notes to Consolidated Financial Statements.

The following table provides a summary of sales of franchised restaurants, which are not included in our consolidated financial results, and our income from the royalties and/or service fees that franchisees pay us based generally on a percentage of sales. The following table does not represent our sales and is presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant concepts and in determining our royalties and/or service fees.

| FRANCHISE SALES (1)             | THIRTEEN<br>WEEKS<br>ENDED |                  | TWENTY-SIX<br>WEEKS ENDED |                  |
|---------------------------------|----------------------------|------------------|---------------------------|------------------|
|                                 | JULY 1,<br>2018            | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| (dollars in millions)           |                            |                  |                           |                  |
| U.S.                            |                            |                  |                           |                  |
| Outback Steakhouse (2)          | \$ 129                     | \$ 114           | \$ 269                    | \$ 204           |
| Carrabba's Italian Grill (2)    | 2                          | 2                | 5                         | 4                |
| Bonefish Grill                  | 4                          | 4                | 8                         | 8                |
| U.S. Total                      | \$ 135                     | \$ 120           | \$ 282                    | \$ 216           |
| International                   |                            |                  |                           |                  |
| Outback Steakhouse-South Korea  | \$ 49                      | \$ 40            | \$ 102                    | \$ 84            |
| Other                           | 27                         | 28               | 55                        | 57               |
| International Total             | \$ 76                      | \$ 68            | \$ 157                    | \$ 141           |
| Total franchise sales (1)       | \$ 211                     | \$ 188           | \$ 439                    | \$ 357           |
| Income from franchise sales (3) | \$ 13                      | \$ 12            | \$ 27                     | \$ 21            |

(1) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

(2) In Q2 2017, we sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant, which are now operated as franchises.

(3) Represents franchise royalties and initial franchise fees included in the Consolidated Statements of Operations and Comprehensive (Loss) Income in Franchise and other revenues.



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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

## Adjusted restaurant-level operating margin

The following table shows the percentages of certain operating cost financial statement line items in relation to Restaurant sales:

|                                   | THIRTEEN WEEKS ENDED |                 |   |               |                 |   |
|-----------------------------------|----------------------|-----------------|---|---------------|-----------------|---|
|                                   | JULY 1, 2018         |                 |   | JUNE 25, 2017 |                 |   |
|                                   | U.S.<br>GAAP         | ADJUSTED<br>(1) | % | U.S.<br>GAAP  | ADJUSTED<br>(1) | % |
| Restaurant sales                  | 100.0%               | 100.0           | % | 100.0%        | 100.0           | % |
| Cost of sales                     | 31.8                 | % 31.8          | % | 31.6          | % 31.6          | % |
| Labor and other related           | 29.7                 | % 29.7          | % | 29.2          | % 29.2          | % |
| Other restaurant operating        | 23.5                 | % 23.6          | % | 24.3          | % 24.3          | % |
| Restaurant-level operating margin | 15.0                 | % 14.9          | % | 14.9          | % 14.8          | % |

|                                   | TWENTY-SIX WEEKS ENDED |                 |   |               |                 |   |
|-----------------------------------|------------------------|-----------------|---|---------------|-----------------|---|
|                                   | JULY 1, 2018           |                 |   | JUNE 25, 2017 |                 |   |
|                                   | U.S.<br>GAAP           | ADJUSTED<br>(1) | % | U.S.<br>GAAP  | ADJUSTED<br>(1) | % |
| Restaurant sales                  | 100.0%                 | 100.0           | % | 100.0%        | 100.0           | % |
| Cost of sales                     | 31.9                   | % 31.9          | % | 31.8          | % 31.8          | % |
| Labor and other related           | 29.0                   | % 29.0          | % | 28.7          | % 28.7          | % |
| Other restaurant operating        | 23.3                   | % 23.4          | % | 23.1          | % 23.3          | % |
| Restaurant-level operating margin | 15.8                   | % 15.7          | % | 16.4          | % 16.2          | % |

(1) Includes adjustments recorded in Other restaurant operating for the following activities, as described in the Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share table below:

| (dollars in millions)                              | THIRTEEN<br>WEEKS<br>ENDED |                  | TWENTY-SIX<br>WEEKS ENDED |                  |
|--|----------------------------|------------------|---------------------------|------------------|
|  | JULY<br>2018               | JUNE 25,<br>2017 | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Restaurant and asset impairments and closing costs | \$1.4                      | \$ (0.2 )        | \$ 2.2                    | \$ 4.8           |
| Restaurant relocations and related costs           | \$0.2                      | \$ 0.3           | \$ 0.4                    | \$ 0.5           |

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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

| (in thousands, except per share data)                  | Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share |               |                        |               |
|--|--|---------------|------------------------|---------------|
|  | THIRTEEN WEEKS ENDED   |               | TWENTY-SIX WEEKS ENDED |               |
|  | JULY 1, 2018   | JUNE 25, 2017 | JULY 1, 2018           | JUNE 25, 2017 |
| Income from operations                                 | \$32,924   | \$41,342      | \$111,295              | \$118,176     |
| Operating income margin                                | 3.2 %  | 4.0 %         | 5.2 %                  | 5.4 %         |
| Adjustments:   |  |               |                        |               |
| Restaurant and asset impairments and closing costs (1) | 7,886  | 702           | 9,181                  | 16,199        |
| Restaurant relocations and related costs (2)           | 1,353  | 2,251         | 3,078                  | 4,358         |
| Legal and contingent matters                           | 288  | —             | 758                    | —             |
| Severance (3)  | —  | —             | 965                    | —             |
| Transaction-related expenses (4)                       | —  | 1,240         | —                      | 1,447         |
| Total income from operations adjustments               | 9,527  | 4,193         | 13,982                 | 22,004        |
| Adjusted income from operations                        | \$42,451   | \$45,535      | \$125,277              | \$140,180     |
| Adjusted operating income margin                       | 4.1 %  | 4.4 %         | 5.8 %                  | 6.4 %         |
| Net income attributable to Bloomin' Brands             | \$26,721   | \$35,133      | \$92,119               | \$83,758      |
| Adjustments:   |  |               |                        |               |
| Income from operations adjustments                     | 9,527  | 4,193         | 13,982                 | 22,004        |
| Gain on disposal of business and other costs (5)       | —  | (7,284 )      | —                      | (7,284 )      |
| Loss on extinguishment and modification of debt        | —  | 260           | —                      | 260           |
| Total adjustments, before income taxes                 | 9,527  | (2,831 )      | 13,982                 | 14,980        |
| Adjustment to (benefit) provision for income taxes (6) | (438 )   | (4,525 )      | (2,119 )               | (8,944 )      |
| Net adjustments  | 9,089  | (7,356 )      | 11,863                 | 6,036         |
| Adjusted net income                                    | \$35,810   | \$27,777      | \$103,982              | \$89,794      |
| Diluted earnings per share                             | \$0.28   | \$0.34        | \$0.97                 | \$0.80        |
| Adjusted diluted earnings per share                    | \$0.38   | \$0.27        | \$1.09                 | \$0.86        |
| Diluted weighted average common shares outstanding     | 94,361   | 102,421       | 95,072                 | 104,417       |

(1) Represents asset impairment charges and related costs primarily associated with approved closure and restructuring initiatives, and the restructuring of certain international markets.

(2) Represents asset impairment charges and accelerated depreciation incurred in connection with our relocation program.

(3) Relates to severance expense incurred primarily as a result of restructuring of certain functions.

(4) Relates primarily to professional fees related to certain income tax items in which the associated tax benefit is adjusted in Adjustments to provision for income taxes, as described in footnote 6 below.

(5) Primarily relates to the sale of 54 U.S. Company-owned restaurants to existing franchisees in 2017.

(6) Represents income tax effect of the adjustments for the periods presented. Adjustments include the impact of excluding \$4.6 million of discrete income tax items for the thirteen and twenty-six weeks ended June 25, 2017.

## Liquidity and Capital Resources

## LIQUIDITY

Our liquidity sources consist of cash flow from our operations, cash and cash equivalents and credit capacity under our credit facilities. We expect to use cash primarily for general operating expenses, share repurchases and dividend payments, remodeling or relocating older restaurants, principal and interest payments on our debt, development of new restaurants and new markets, obligations related to our deferred compensation plans and investments in technology.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

We believe that our expected liquidity sources are adequate to fund debt service requirements, lease obligations, capital expenditures and working capital obligations for at least the next 12 months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow and our ability to manage costs and working capital successfully.

Cash and Cash Equivalents - As of July 1, 2018, we had \$81.7 million in cash and cash equivalents, of which \$25.9 million was held by foreign affiliates. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit the repatriation of cash and cash equivalents.

We previously considered the earnings in our non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. Given the Tax Act's significant changes and potential opportunities to repatriate cash free of U.S. federal tax, we continue to evaluate our current permanent reinvestment assertions. This evaluation includes the repatriation of historical earnings (2017 and prior) that have been previously taxed under the Tax Act. See Note 12 - Income Taxes of the Notes to Consolidated Financial Statements for further information regarding the Tax Act.

As of July 1, 2018, we had aggregate E&P from foreign subsidiaries of approximately \$122.9 million, which is considered previously taxed income subsequent to the Tax Act. We currently consider the remaining financial statement carrying amounts over the tax basis of our investments in our foreign subsidiaries to be indefinitely reinvested and have not recorded a deferred tax liability. The determination of any unrecorded deferred tax liability on this amount is not practicable due to the uncertainty of how these investments would be recovered.

Closure Initiatives - Total aggregate future undiscounted cash expenditures of \$22.3 million to \$27.4 million for the Closure Initiatives, primarily related to lease liabilities, are expected to occur over the remaining lease terms with the final term ending in January 2029.

Capital Expenditures - We estimate that our capital expenditures will total approximately \$200.0 million in 2018. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including restrictions imposed by our borrowing arrangements.

Credit Facilities - As of July 1, 2018, we had \$1.1 billion of outstanding borrowings under our Senior Secured Credit Facility. Following is a summary of principal payments and debt issuance from December 31, 2017 to July 1, 2018:

| (dollars in thousands)          | SENIOR SECURED<br>CREDIT FACILITY |                       | TOTAL<br>CREDIT<br>FACILITIES |
|---------------------------------|-----------------------------------|-----------------------|-------------------------------|
|                                 | TERM<br>LOAN A                    | REVOLVING<br>FACILITY |                               |
| Balance as of December 31, 2017 | \$ 500,000                        | \$ 600,000            | \$ 1,100,000                  |
| 2018 new debt                   | —                                 | 268,000               | 268,000                       |
| 2018 payments                   | (12,500 )                         | (234,500 )            | (247,000 )                    |
| Balance as of July 1, 2018      | \$ 487,500                        | \$ 633,500            | \$ 1,121,000                  |

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## BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

We continue to evaluate whether we will make further payments of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding credit facilities as of the dates indicated:

| (dollars in thousands)               | INTEREST            |                    | OUTSTANDING   |                 |                      |
|--------------------------------------|---------------------|--------------------|---------------|-----------------|----------------------|
|                                      | RATE                | ORIGINAL PRINCIPAL | MATURITY      |                 |                      |
|                                      | JULY 1,<br>2018 (1) | FACILITY           | DATE          | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
| Term loan A                          | 3.78 %              | \$ 500,000         | November 2022 | \$487,500       | \$ 500,000           |
| Revolving credit facility            | 3.77 %              | 1,000,000          | November 2022 | 633,500         | 600,000              |
| Total Senior secured credit facility |                     | \$ 1,500,000       |               | \$ 1,121,000    | \$ 1,100,000         |

(1) Represents the weighted-average interest rate.

Credit Agreement - As of July 1, 2018, we had \$343.0 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of \$23.5 million.

The Credit Agreement contains term loan mandatory prepayment requirements of 50% of our annual excess cash flow, as defined in the Credit Agreement. The amount outstanding required to be prepaid may vary based on our leverage ratio and year end results. Other than the required minimum amortization premiums of \$25.0 million, we do not anticipate any other payments will be required through June 30, 2019.

We are currently exploring options to address the May 2019 maturity of our interest rate swap agreements.

Debt Covenants - Our Credit Agreement contains various financial and non-financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and cause an acceleration of the amounts due under the credit facilities. See Note 12 - Long-term Debt, Net in our Annual Report on Form 10-K for the year ended December 31, 2017 for further information.

As of July 1, 2018 and December 31, 2017, we were in compliance with our debt covenants. We believe that we will remain in compliance with our debt covenants during the next 12 months.

## SUMMARY OF CASH FLOWS

The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the periods indicated:

| (dollars in thousands)                                       | TWENTY-SIX<br>WEEKS ENDED |                  |
|--|---------------------------|------------------|
|  | JULY 1,<br>2018           | JUNE 25,<br>2017 |
| Net cash provided by operating activities                    | \$ 100,083                | \$ 183,137       |
| Net cash used in investing activities                        | (81,944 )                 | (33,601 )        |
| Net cash used in financing activities                        | (58,303 )                 | (183,250 )       |
| Effect of exchange rate changes on cash and cash equivalents | (3,164 )                  | 1,002            |
| Net decrease in cash, cash equivalents and restricted cash   | \$(43,328 )               | \$(32,712 )      |

Operating activities - Net cash provided by operating activities decreased during the twenty-six weeks ended July 1, 2018, as compared to the twenty-six weeks ended June 25, 2017 primarily due to decreases from: (i) the timing of



collections of gift card receivables, (ii) an increase in incentive compensation payments, (iii) the timing of payments on accounts payable and other accrual payments and (iv) higher payments for inventory. These decreases were partially offset by lower income tax payments.

Investing activities - Net cash used in investing activities for the twenty-six weeks ended July 1, 2018 consisted of capital expenditures, partially offset by proceeds from the disposal of property, fixtures and equipment and proceeds from sale-leaseback transactions.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Net cash used in investing activities for the twenty-six weeks ended June 25, 2017 consisted primarily of capital expenditures, partially offset by proceeds from sale-leaseback transactions and proceeds from refranchising transactions.

Financing activities - Net cash used in financing activities for the twenty-six weeks ended July 1, 2018 was primarily attributable to the following: (i) the repurchase of common stock, (ii) payment of cash dividends on our common stock, (iii) the repayment of long-term debt and (iv) repayments of partner deposits and accrued partner obligations. Net cash used in financing activities was partially offset by proceeds from the exercise of stock options and drawdowns on our revolving credit facility, net of repayments.

Net cash used in financing activities for the twenty-six weeks ended June 25, 2017 was primarily attributable to the following: (i) the repurchase of common stock, (ii) repayments on our PRP Mortgage Loan, (iii) payments on our revolving credit facility, net of drawdowns, (iv) payment of cash dividends on our common stock and (v) repayments of partner deposits and accrued partner obligations. Net cash used in financing activities was partially offset by proceeds from: (i) net proceeds from the incremental Term loan A-2 and (ii) the sale of a property that did not qualify for sale-leaseback accounting.

## FINANCIAL CONDITION

Following is a summary of our current assets, current liabilities and working capital (deficit):

| (dollars in thousands)    | JULY 1,<br>2018 | DECEMBER 31,<br>2017 |
|---------------------------|-----------------|----------------------|
| Current assets            | \$248,064       | \$ 360,209           |
| Current liabilities       | 631,170         | 813,392              |
| Working capital (deficit) | \$(383,106)     | \$ (453,183 )        |

Working capital (deficit) includes Unearned revenue primarily from unredeemed gift cards of \$221.9 million and \$330.8 million as of July 1, 2018 and December 31, 2017, respectively. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities, and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and to make capital expenditures.

Deferred Compensation Programs - The deferred compensation obligation due to managing and chef partners was \$84.5 million and \$96.3 million as of July 1, 2018 and December 31, 2017, respectively. We invest in various corporate-owned life insurance policies, which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the deferred compensation plans. The rabbi trust is funded through our voluntary contributions. The unfunded obligation for managing and chef partners' deferred compensation was \$33.8 million as of July 1, 2018.

We use capital to fund the deferred compensation plans and currently expect annual cash funding of \$13.0 million to \$15.0 million. Actual funding of the deferred compensation obligations and future funding requirements may vary significantly depending on the actual performance compared to targets, timing of deferred payments of partner contracts, forfeiture rates, number of partner participants, growth of partner investments and our funding strategy.

DIVIDENDS AND SHARE REPURCHASES

Dividends - In July 2018, the Board declared a quarterly cash dividend of \$0.09 per share, payable on August 22, 2018. Future dividend payments are dependent on our earnings, financial condition, capital expenditure requirements, surplus and other factors that the Board considers relevant.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Share Repurchases - On February 16, 2018, our Board canceled the remaining \$55.0 million of authorization under the 2017 Share Repurchase Program and approved a new \$150.0 million authorization. The 2018 Share Repurchase Program will expire on August 16, 2019. As of July 1, 2018, we had \$69.0 million remaining available for repurchase under the 2018 Share Repurchase Program, as of the date of this filing.

Following is a summary of our dividends and share repurchases from December 29, 2014 through July 1, 2018:

| (dollars in thousands)     | DIVIDENDS<br>PAID | SHARE REPURCHASES<br>SETTLEMENT<br>OF TAXES<br>RELATED TO<br>EQUITY<br>AWARDS |          |  | TOTAL      |
|----------------------------|-------------------|---|----------|--|------------|
|                            |                   | REPURCHASE<br>PROGRAMS  |          |  |            |
| Fiscal year 2015           | \$ 29,332         | \$ 169,999  | \$ 770   |  | \$ 200,101 |
| Fiscal year 2016           | 31,379            | 309,887   | 447      |  | 341,713    |
| Fiscal year 2017           | 30,988            | 272,736   | 180      |  | 303,904    |
| First fiscal quarter 2018  | 8,371             | 50,996  | —        |  | 59,367     |
| Second fiscal quarter 2018 | 8,363             | 30,004  | —        |  | 38,367     |
| Total                      | \$ 108,433        | \$ 833,622  | \$ 1,397 |  | \$ 943,452 |

## Recently Issued Financial Accounting Standards

For a description of recently issued Financial Accounting Standards, see Note 1 - Description of the Business and Basis of Presentation of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

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BLOOMIN' BRANDS, INC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, changes in foreign currency exchange rates and changes in commodity prices. We believe that there have been no material changes in our market risk since December 31, 2017, except as set forth below. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended December 31, 2017 for further information regarding market risk.

Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange risk for our restaurants operating in foreign countries. Our exposure to foreign currency exchange risk is primarily related to fluctuations in the Brazil Real relative to the U.S. dollar. Our operations in other markets consist of Company-owned restaurants on a smaller scale than Brazil. If foreign currency exchange rates depreciate in the countries in which we operate, we may experience declines in our operating results. For the twenty-six weeks ended July 1, 2018, a 10% change in average foreign currency rates against the U.S. dollar would have increased or decreased our total revenues for our consolidated foreign entities by \$24.6 million and have a nominal impact on net income. Currently, we do not enter into currency forward exchange or option contracts to hedge foreign currency exposures.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial and Administrative Officer concluded that our disclosure controls and procedures were effective as of July 1, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the thirteen weeks ended July 1, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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BLOOMIN' BRANDS, INC.

## PART II: OTHER INFORMATION

## Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 13 - Commitments and Contingencies, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2017 Form 10-K which could materially affect our business, financial condition or future results. There have not been any material changes to the risk factors described in our 2017 Form 10-K, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of equity securities during the second quarter of 2018 that were not registered under the Securities Act of 1933.

The following table provides information regarding our purchases of common stock during the thirteen weeks ended July 1, 2018:

| REPORTING PERIOD                     | TOTAL<br>NUMBER OF<br>SHARES<br>PURCHASED | AVERAGE<br>PRICE<br>PAID PER<br>SHARE | TOTAL<br>NUMBER OF<br>SHARES<br>PURCHASED<br>AS PART OF<br>PUBLICLY<br>ANNOUNCED<br>PLANS OR<br>PROGRAMS | APPROXIMATE<br>DOLLAR<br>VALUE OF<br>SHARES THAT<br>MAY YET BE<br>PURCHASED<br>UNDER THE<br>PLANS OR<br>PROGRAMS (1) |
|--------------------------------------|---|---------------------------------------|--|--|
| April 2, 2018 through April 29, 2018 | 164,040                                   | \$ 24.41                              | 164,040  | \$ 95,000,035  |
| April 30, 2018 through May 27, 2018  | 1,122,950                                 | \$ 23.15                              | 1,122,950  | \$ 69,000,043  |
| May 28, 2018 through July 1, 2018    | —   | \$ —                                  | —  | \$ 69,000,043  |
| Total                                | 1,286,990                                 |                                       | 1,286,990  |  |

On February 16, 2018, the Board of Directors authorized the repurchase of \$150.0 million of our outstanding (1) common stock as announced in our press release issued on February 22, 2018 (the "2018 Share Repurchase Program"). The 2018 Share Repurchase Program will expire on August 16, 2019.

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BLOOMIN' BRANDS, INC.

## Item 6. Exhibits

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBITS   | FILINGS REFERENCED FOR INCORPORATION BY REFERENCE |
|----------------|---|---|
| 31.1           | <u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>   | Filed herewith                                    |
| 31.2           | <u>Certification of Chief Financial and Administrative Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>  | Filed herewith                                    |
| 32.1           | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)</u>                    | Filed herewith                                    |
| 32.2           | <u>Certification of Chief Financial and Administrative Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)</u> | Filed herewith                                    |
| 101.INS        | XBRL Instance Document  | Filed herewith                                    |
| 101.SCH        | XBRL Taxonomy Extension Schema Document   | Filed herewith                                    |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document   | Filed herewith                                    |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document  | Filed herewith                                    |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document   | Filed herewith                                    |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document  | Filed herewith                                    |

(1) These certifications are not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. These certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates them by reference.

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BLOOMIN' BRANDS, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 2, 2018 BLOOMIN' BRANDS, INC.  
(Registrant)

By: /s/ David J. Deno  
David J. Deno  
Executive Vice President and Chief Financial and  
Administrative Officer  
(Principal Financial and Accounting Officer)

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