

Bloomin' Brands, Inc.
Form 10-Q
November 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 September 30, 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 x NO o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). YES x NO o

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 x Accelerated filer o Non-accelerated filer o

Smaller reporting company o Emerging growth company o

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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 October 30, 2018, 91,901,387 shares of common stock of the registrant were outstanding.

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BLOOMIN' BRANDS, INC.

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For the Quarterly Period Ended September 30, 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)

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 78,615	\$ 128,263
Current portion of restricted cash and cash equivalents	—	1,280
Inventories	48,515	51,264
Other current assets, net	101,324	179,402
Total current assets	228,454	360,209
Property, fixtures and equipment, net	1,129,347	1,173,414
Goodwill	291,822	310,234
Intangible assets, net	505,855	522,290
Deferred income tax assets, net	76,236	60,486
Other assets, net	119,080	135,261
Total assets	\$ 2,350,794	\$ 2,561,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 163,738	\$ 185,461
Accrued and other current liabilities	227,867	270,840
Unearned revenue	202,277	330,756
Current portion of long-term debt	26,767	26,335
Total current liabilities	620,649	813,392
Deferred rent	165,702	160,047
Deferred income tax liabilities	13,845	16,926
Long-term debt, net	1,124,024	1,091,769
Long-term portion of deferred gain on sale-leaseback transactions, net	180,302	188,086
Other long-term liabilities, net	186,130	210,443
Total liabilities	2,290,652	2,480,663
Commitments and contingencies (Note 15)		
Stockholders' equity		
Bloomin' Brands stockholders' equity		
Preferred stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Common stock, \$0.01 par value, 475,000,000 shares authorized; 91,853,854 and 91,912,546 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	919	919
Additional paid-in capital	1,108,636	1,081,813
Accumulated deficit	(915,925)	(913,191)
Accumulated other comprehensive loss	(143,276)	(99,199)
Total Bloomin' Brands stockholders' equity	50,354	70,342
Noncontrolling interests	9,788	10,889
Total stockholders' equity	60,142	81,231
Total liabilities and stockholders' equity	\$ 2,350,794	\$ 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 ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
Revenues				
Restaurant sales	\$949,400	\$ 940,012	\$3,063,887	\$ 3,105,027
Franchise and other revenues	15,621	15,575	49,413	41,729
Total revenues	965,021	955,587	3,113,300	3,146,756
Costs and expenses				
Cost of sales	307,493	296,632	982,415	984,510
Labor and other related	289,023	285,325	902,006	907,580
Other restaurant operating	233,744	235,944	725,468	735,480
Depreciation and amortization	50,571	47,826	151,473	142,479
General and administrative	67,691	66,063	212,516	215,059
Provision for impaired assets and restaurant closings	3,962	18,578	15,590	38,253
Total costs and expenses	952,484	950,368	2,989,468	3,023,361
Income from operations	12,537	5,219	123,832	123,395
Loss on extinguishment and modification of debt	—	—	—	(260)
Other (expense) income, net	(1)	7,531	(6)	14,761)
Interest expense, net	(11,600)	(10,705)	(33,229)	(29,389)
Income before (benefit) provision for income taxes	936	2,045	90,597	108,507
(Benefit) provision for income taxes	(3,317)	(3,248)	(6,516)	17,744)
Net income	4,253	5,293	97,113	90,763
Less: net income (loss) attributable to noncontrolling interests	181	(290)	922)	1,422
Net income attributable to Bloomin' Brands	\$4,072	\$ 5,583	\$96,191	\$ 89,341
Net income	\$4,253	\$ 5,293	\$97,113	\$ 90,763
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(16,349)	6,399	(45,044)	17,770)
Unrealized gain (loss) on derivatives, net of tax	37	370	1,221	(139)
Reclassification of adjustment for (gain) loss on derivatives included in Net income, net of tax	(51)	492	328	1,919
Comprehensive (loss) income	(12,110)	12,554	53,618	110,313
Less: comprehensive income (loss) attributable to noncontrolling interests	423	(306)	1,504)	1,376
Comprehensive (loss) income attributable to Bloomin' Brands	\$(12,533)	\$ 12,860	\$52,114	\$ 108,937
Earnings per share:				
Basic	\$0.04	\$ 0.06	\$1.04	\$ 0.91
Diluted	\$0.04	\$ 0.06	\$1.02	\$ 0.88
Weighted average common shares outstanding:				
Basic	92,202	92,485	92,197	98,137

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Diluted	93,324	95,655	94,489	101,497
Cash dividends declared per common share	\$0.09	\$ 0.08	\$0.27	\$ 0.24

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.							
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL		ACCUMULATED DEFICIT		OTHER COMPREHENSIVE LOSS	
	SHARES	AMOUNT					NON-CONTROLLING INTERESTS	TOTAL
Balance, December 31, 2017	91,913	\$ 919	\$ 1,081,813		\$ (913,191	) \$ (99,199	) \$ 10,889	\$ 81,231
Net income	—	—	—		96,191	—	1,251	97,442
Other comprehensive (loss) income, net of tax	—	—	—		—	(44,077	) 582	(43,495)
Cash dividends declared, \$0.27 per common share	—	—	(25,078	) —	—	—	—	(25,078)
Repurchase and retirement of common stock	(4,371)	(43)	—		(98,925	) —	—	(98,968)
Stock-based compensation	—	—	16,478		—	—	—	16,478
Common stock issued under stock plans (1)	4,312	43	35,752		—	—	—	35,795
Change in the redemption value of redeemable interests	—	—	(329	) —	—	—	—	(329)
Distributions to noncontrolling interests	—	—	—		—	—	(4,505)	(4,505)
Contributions from noncontrolling interests	—	—	—		—	—	1,571	1,571
Balance, September 30, 2018	91,854	\$ 919	\$ 1,108,636		\$ (915,925	) \$ (143,276	) \$ 9,788	\$ 60,142

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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 STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
Balance, December 25, 2016	103,922	\$ 1,039	\$ 1,079,583	\$ (756,070)	\$ (111,143)	\$ 12,654	\$ 226,063
Net income	—	—	—	89,341	—	1,594	90,935
Other comprehensive income (loss), net of tax	—	—	—	—	19,596	(76)	19,520
Cash dividends declared, \$0.24 per common share	—	—	(23,677)	—	—	—	(23,677)
Repurchase and retirement of common stock	(13,807)	(138)	—	(272,598)	—	—	(272,736)
Stock-based compensation	—	—	17,969	—	—	—	17,969
Common stock issued under stock plans (1)	1,049	11	4,617	(180)	—	—	4,448
Change in the redemption value of redeemable interests	—	—	(172)	—	—	—	(172)
Purchase of noncontrolling interests, net of tax of \$45	—	—	(713)	—	—	(180)	(893)
Distributions to noncontrolling interests	—	—	—	—	—	(4,158)	(4,158)
Contributions from noncontrolling interests	—	—	—	—	—	727	727
Cumulative-effect from a change in accounting principle	—	—	—	14,364	—	—	14,364
Other	—	—	—	—	—	419	419
Balance, September 24, 2017	91,164	\$ 912	\$ 1,077,607	\$ (925,143)	\$ (91,547)	\$ 10,980	\$ 72,809

(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)

	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018		SEPTEMBER 24, 2017	
Cash flows provided by operating activities:				
Net income	\$97,113		\$ 90,763	
Adjustments to reconcile Net income to cash provided by operating activities:				
Depreciation and amortization	151,473		142,479	
Amortization of deferred discounts and issuance costs	1,930		2,240	
Amortization of deferred gift card sales commissions	20,151		18,530	
Provision for impaired assets and restaurant closings	15,590		38,253	
Stock-based and other non-cash compensation expense	19,692		19,775	
Deferred income tax (benefit) expense	(1,318	)	3,252	
Gain on sale of a business or subsidiary	—		(15,787	)
Loss on extinguishment and modification of debt	—		260	
Recognition of deferred gain on sale-leaseback transactions	(9,237	)	(8,836	)
Other, net	2,177		4,690	
Change in assets and liabilities	(142,375	)	(72,604	)
Net cash provided by operating activities	155,196		223,015	
Cash flows used in investing activities:				
Proceeds from disposal of property, fixtures and equipment	10,453		19	
Proceeds from sale-leaseback transactions, net	11,332		83,866	
Proceeds from sale of a business, net of cash divested	—		38,980	
Capital expenditures	(146,288	)	(183,820	)
Other investments, net	200		(1,580	)
Net cash used in investing activities	\$(124,303)		\$ (62,535	)

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BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018 2017	
Cash flows used in financing activities:		
Proceeds from issuance of long-term debt, net	\$1,637	\$ 124,443
Repayments of long-term debt	(20,164)	(64,578)
Proceeds from borrowings on revolving credit facilities, net	378,529	467,500
Repayments of borrowings on revolving credit facilities	(329,700)	(417,000)
Proceeds from failed sale-leaseback transactions, net	—	5,942
Proceeds from share-based compensation, net	35,795	4,628
Distributions to noncontrolling interests	(4,505)	(4,158)
Contributions from noncontrolling interests	1,571	727
Purchase of limited partnership and noncontrolling interests	(1,619)	(5,354)
Repayments of partner deposits and accrued partner obligations	(14,458)	(11,763)
Repurchase of common stock	(98,968)	(272,916)
Cash dividends paid on common stock	(25,078)	(23,677)
Net cash used in financing activities	(76,960)	(196,206)
Effect of exchange rate changes on cash and cash equivalents	(4,861)	1,972
Net decrease in cash, cash equivalents and restricted cash	(50,928)	(33,754)
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	\$78,615	\$ 102,432
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$31,376	\$ 27,897
Cash paid for income taxes, net of refunds	9,696	28,134
Supplemental disclosures of non-cash investing and financing activities:		
Increase in liabilities from the acquisition of property, fixtures and equipment or capital leases	\$5,075	\$ 6,375

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. ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers. 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 SEPTEMBER 24, 2017			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017		
	AS	2014-09	AS	AS	2014-09	AS
	REPORTED	IMPACT	RESTATED	REPORTED	IMPACT	RESTATED
Revenues						
Restaurant sales	\$937,852	\$ 2,160	\$ 940,012	\$3,093,297	\$ 11,730	\$ 3,105,027
Franchise and other revenues	11,047	4,528	15,575	32,407	9,322	41,729
Total revenues	\$948,899	\$ 6,688	\$ 955,587	\$3,125,704	\$ 21,052	\$ 3,146,756
Costs and expenses						
Other restaurant operating	\$231,293	\$ 4,651	\$ 235,944	\$723,357	\$ 12,123	\$ 735,480
Income from operations	\$3,182	\$ 2,037	\$ 5,219	\$114,466	\$ 8,929	\$ 123,395
Income before (benefit) provision for income taxes	\$8	\$ 2,037	\$ 2,045	\$99,578	\$ 8,929	\$ 108,507
(Benefit) provision for income taxes	\$(4,038)	\$ 790	\$(3,248)	\$14,280	\$ 3,464	\$ 17,744
Net income	\$4,046	\$ 1,247	\$ 5,293	\$85,298	\$ 5,465	\$ 90,763
Net income attributable to Bloomin' Brands	\$4,336	\$ 1,247	\$ 5,583	\$83,876	\$ 5,465	\$ 89,341
Basic earnings per share	\$0.05	\$ 0.01	\$ 0.06	\$0.85	\$ 0.06	\$ 0.91
Diluted earnings per share	\$0.05	\$ 0.01	\$ 0.06	\$0.83	\$ 0.05	\$ 0.88

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
ASSETS			
Deferred income tax assets, net	\$71,499	\$(11,013)	\$60,486
Total assets	\$2,572,907	\$(11,013)	\$2,561,894
LIABILITIES AND STOCKHOLDERS' EQUITY			
Unearned revenue			
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
Bloomin' Brands stockholders' equity			
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 July 2, 2018, the Company adopted 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 simplifies the disclosures of risk exposures and hedging strategies. Upon adoption, the Company revised its accounting policies and certain disclosures, however there was no impact on its Consolidated Financial Statements. For derivatives that qualify for hedge accounting, any gain or loss on the derivative instrument is recognized in equity as a change to Accumulated other comprehensive loss and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. See Note 12 - Derivative Instruments and Hedging Activities for required disclosures under ASU No. 2017-12.

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. In July 2018, the FASB issued ASU No. 2018-11: Leases (Topic 842): Targeted Improvements ("ASU No. 2018-11"), that allows for an additional transition method, which permits use of the effective date of adoption as the date of initial application of ASU No. 2016-02 without restating comparative period financial statements. ASU No. 2016-02 and ASU No. 2018-11 are effective for the Company in 2019 and the Company will adopt ASU No. 2016-02 using the transition method allowable under ASU No. 2018-11. The Company plans to elect a transition package including practical expedients that require application to comparative periods but do not require it to reassess the classification and initial direct costs of expired or existing contracts and leases. In preparation for adoption, the Company is in the process of implementing a new lease accounting system and is assessing the overall impact of adoption on its financial statements and internal control over financial reporting. Adoption of ASU No. 2016-02 is expected to have an impact on the Company's Consolidated Balance Sheet due to recognition of right-of-use assets and lease liabilities related to real estate and equipment under operating lease agreements. The adoption will result in a credit to the beginning balance of Accumulated Deficit to derecognize deferred gains on sale-leaseback transactions and a corresponding debit for the related deferred tax assets. At September 30, 2018, deferred gains on sale-leaseback transactions and their related deferred tax assets were \$192.7 million and \$49.6 million, respectively. There will also be an increase to Other restaurant operating expense in future periods since the Company will not recognize these deferred gains through its statements of operations over the corresponding lease term. During the thirty-nine weeks ended September 30, 2018, the Company recorded \$9.2 million of sale-leaseback deferred gain amortization. The Company's evaluation of ASU No. 2016-02 is ongoing and may identify additional impacts on its 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.

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.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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 ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017		2017	
(dollars in thousands)	(Restated) (1)		(Restated) (1)	
Revenues				
Restaurant sales	\$ 949,400	\$ 940,012	\$ 3,063,887	\$ 3,105,027
Franchise and other revenues:				
Franchise revenue	\$ 12,534	\$ 12,400	\$ 39,883	\$ 33,062
Other revenue	3,087	3,175	9,530	8,667
Total Franchise and other revenues	\$ 15,621	\$ 15,575	\$ 49,413	\$ 41,729
Total revenues	\$ 965,021	\$ 955,587	\$ 3,113,300	\$ 3,146,756

(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 tables include the disaggregation of Restaurant sales and Franchise revenue, by restaurant concept and major international market, for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	
(dollars in thousands)	RESTAURANT SALES		FRANCHISE REVENUE	
U.S.				
Outback Steakhouse (1)	\$ 498,390	\$ 9,583	\$ 1,591,588	\$ 30,814
Carrabba's Italian Grill (1)	148,513	154	485,894	458
Bonefish Grill	135,691	218	441,594	691
Fleming's Prime Steakhouse & Wine Bar	64,652	—	218,954	—
Other	1,591	—	4,088	—
U.S. Total	\$ 848,837	\$ 9,955	\$ 2,742,118	\$ 31,963
International				
Outback Steakhouse-Brazil	\$ 81,193	\$ —	\$ 264,125	\$ —
Other	19,370	2,579	57,644	7,920
International Total	\$ 100,563	\$ 2,579	\$ 321,769	\$ 7,920
Total	\$ 949,400	\$ 12,534	\$ 3,063,887	\$ 39,883

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
	RESTAURANT SALES		RESTAURANT SALES	
	FRANCHISE REVENUE		FRANCHISE REVENUE	
(dollars in thousands)	(Restated) (2)	(Restated) (2)	(Restated) (2)	(Restated) (2)
U.S.				
Outback Steakhouse (1)	\$478,637	\$ 9,573	\$1,609,172	\$ 24,538
Carrabba's Italian Grill (1)	150,943	157	501,965	402
Bonefish Grill	136,134	190	450,521	707
Fleming's Prime Steakhouse & Wine Bar	60,208	—	208,083	—
Other	154	—	154	—
U.S. Total	\$826,076	\$ 9,920	\$2,769,895	\$ 25,647
International				
Outback Steakhouse-Brazil	\$95,344	\$ —	\$282,035	\$ —
Other	18,592	2,480	53,097	7,415
International Total	\$113,936	\$ 2,480	\$335,132	\$ 7,415
Total	\$940,012	\$ 12,400	\$3,105,027	\$ 33,062

(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 86% 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 September 30, 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
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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) SEPTEMBER 30, DECEMBER 31,
2018 2017

Other current assets, net

Deferred gift card sales commissions (1) \$ 7,910 \$ 16,231

Unearned revenue

Deferred gift card revenue (1) \$ 193,283 \$ 323,628

Deferred loyalty revenue 8,535 6,667

Deferred franchise fees - current (1) 459 461

Total Unearned revenue \$ 202,277 \$ 330,756

Other long-term liabilities, net

Deferred franchise fees - non-current (1) \$ 4,761 \$ 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:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(dollars in thousands)	2018	2017	2018	2017
Balance, beginning of period	\$9,175	\$ 9,418	\$16,231	\$ 15,584
Deferred gift card sales commissions amortization	(4,932)	(4,774)	(20,151)	(18,530)
Deferred gift card sales commissions capitalization	4,029	3,763	13,287	12,553
Other	(362)	(1,060)	(1,457)	(2,260)
Balance, end of period	\$7,910	\$ 7,347	\$7,910	\$ 7,347

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:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(dollars in thousands)	2018	2017	2018	2017
Balance, beginning of period	\$213,286	\$ 201,805	\$323,628	\$ 331,803
Gift card sales	54,477	54,392	189,599	193,638
Gift card redemptions	(71,146)	(74,061)	(304,198)	(329,696)
Gift card breakage (1)	(3,334)	(4,008)	(15,746)	(17,617)
Balance, end of period	\$193,283	\$ 178,128	\$193,283	\$ 178,128

(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 thirty-nine weeks ended September 24, 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 WEEKS ENDED SEPTEMBER 24,		THIRTY-NINE WEEKS ENDED SEPTEMBER 24,	
	2018	2017	2018	2017
Impairment losses				
U.S.	\$ 1,330	\$ 12,339	\$ 1,725	\$ 13,272
International	—	1,903	6,597	1,903
Total impairment losses	\$ 1,330	\$ 14,242	\$ 8,322	\$ 15,175
Restaurant closure expenses				
U.S.	\$ 2,650	\$ 4,336	\$ 3,672	\$ 23,078
International	(18)	—	3,596	—
Total restaurant closure expenses	\$ 2,632	\$ 4,336	\$ 7,268	\$ 23,078
Provision for impaired assets and restaurant closings	\$ 3,962	\$ 18,578	\$ 15,590	\$ 38,253

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 WEEKS ENDED SEPTEMBER 24,		THIRTY-NINE WEEKS ENDED SEPTEMBER 24,	
		2018	2017	2018	2017
Impairment, facility closure and other expenses (1)	Provision for impaired assets and restaurant closings	\$ 2,370	\$ 3,772	\$ 4,002	\$ 21,784
Severance and other expenses	General and administrative	338	—	570	2,948
Reversal of deferred rent liability	Other restaurant operating	(469)	—	(616)	(4,761)
Total		\$ 2,239	\$ 3,772	\$ 3,956	\$ 19,971

(1) The Company recognized asset impairment and closure charges within the International segment related to the Closure Initiatives of \$1.0 million during the thirty-nine weeks ended September 30, 2018 and \$1.9 million during the thirteen and thirty-nine weeks ended September 24, 2017. All other asset impairment and closure charges for the periods presented were recognized within the U.S. segment.

International Restructuring - During the thirty-nine weeks ended September 30, 2018, the Company recognized asset impairment and closure charges of \$9.1 million related to the restructuring of certain international markets, including China.

Surplus Properties - During the thirteen and thirty-nine weeks ended September 24, 2017, the Company recognized impairment charges of \$9.5 million within the U.S. segment in connection with the remeasurement of certain surplus properties currently leased to the owners of its former restaurant concepts.

The remaining restaurant impairment and closing charges resulted primarily from locations identified for remodel, relocation or closure.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 September 30, 2018:

	CLOSURE INITIATIVES
Estimated future expense (dollars in millions)	
Lease related liabilities, net of subleases	\$ 2.0 to \$ 2.4
Employee severance and other obligations	0.2 to 0.4
Total estimated future expense	\$ 2.2 to \$ 2.8

Total estimated future cash expenditures (dollars in millions) (1) \$ 21.6 to \$ 26.5

(1) Future 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 thirty-nine weeks ended September 30, 2018:

	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018
(dollars in thousands)	
Balance, beginning of the period	\$ 22,709
Charges	11,147
Cash payments	(11,805)
Adjustments	(3,879)
Balance, end of the period (1)	\$ 18,172

(1) As of September 30, 2018, the Company had exit-related accruals of \$5.3 million recorded in Accrued and other current liabilities and \$12.9 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 for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017		2017	
(in thousands, except per share data)	(Restated) (1)		(Restated) (1)	
Net income attributable to Bloomin' Brands	\$ 4,072	\$ 5,583	\$96,191	\$ 89,341
Basic weighted average common shares outstanding	92,202	92,485	92,197	98,137
Effect of diluted securities:				
Stock options	799	2,781	1,870	2,948
Nonvested restricted stock and restricted stock units	323	389	409	392
Nonvested performance-based share units	—	—	13	20
Diluted weighted average common shares outstanding	93,324	95,655	94,489	101,497
Basic earnings per share	\$ 0.04	\$ 0.06	\$ 1.04	\$ 0.91
Diluted earnings per share	\$ 0.04	\$ 0.06	\$ 1.02	\$ 0.88

(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, for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(shares in thousands)	2017		2017	
Stock options	3,802	6,065	2,628	5,663
Nonvested restricted stock and restricted stock units	259	179	129	174
Nonvested performance-based share units	214	134	191	256

5. Stock-based Compensation Plans

The Company recognized stock-based compensation expense as follows:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(dollars in thousands)	2017		2017	
Stock options	\$ 1,533	\$ 2,705	\$5,059	\$ 8,404
Restricted stock and restricted stock units	2,323	2,527	7,110	7,769
Performance-based share units	1,309	(235)	3,779	1,001
	\$ 5,165	\$ 4,997	\$15,948	\$ 17,174

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table presents a summary of the Company's stock option activity:

(in thousands, except exercise price and contractual life)	OPTION	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE 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	(3,926)	\$ 10.02		
Forfeited or expired	(265)	\$ 21.24		
Outstanding as of September 30, 2018	6,348	\$ 18.34	5.9	\$ 20,051
Exercisable as of September 30, 2018	4,125	\$ 17.72	4.7	\$ 16,314

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

	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018 2017			
Assumptions:				
Weighted-average risk-free interest rate (1)	2.66 %	1.92 %		
Dividend yield (2)	1.50 %	1.84 %		
Expected term (3)	5.8 years	6.3 years		
Weighted-average volatility (4)	32.76 %	33.72 %		

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)	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018 2017	
Intrinsic value of options exercised	\$ 52,001	\$ 7,752
Excess tax benefits for tax deductions related to the exercise of stock options	\$ 8,316	\$ 1,257
Cash received from option exercises, net of tax withholding	\$ 39,329	\$ 7,095

During the thirty-nine weeks ended September 30, 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. As of September 30, 2018, the maximum number of shares of common stock available for issuance pursuant to the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan was 4,418,256.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of September 30, 2018:

	UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	\$ 9,718	2.4
Restricted stock units	\$ 17,181	2.6
Performance-based share units	\$ 7,925	1.1

6. Other Current Assets, Net

Other current assets, net, consisted of the following:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Prepaid expenses	\$ 43,150	\$ 40,688
Accounts receivable - gift cards, net	11,358	66,361
Accounts receivable - vendors, net	5,307	19,483
Accounts receivable - franchisees, net	2,912	2,017
Accounts receivable - other, net	15,546	22,808
Deferred gift card sales commissions (1)	7,910	16,231
Assets held for sale	6,510	6,217
Other current assets, net	8,631	5,597
	\$ 101,324	\$ 179,402

(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.

7. Other Assets, Net

Other assets, net, consisted of the following:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Company-owned life insurance	\$ 63,780	\$ 73,818
Deferred financing fees (1)	6,980	8,232
Liquor licenses	24,198	24,659
Other assets	24,122	28,552
	\$ 119,080	\$ 135,261

(1) Net of accumulated amortization of \$4.7 million and \$4.1 million as of September 30, 2018 and December 31, 2017, respectively.

8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	SEPTEMBER 30, DECEMBER 31,	
(dollars in thousands)	2018	2017
Accrued payroll and other compensation	\$ 94,973	\$ 113,636
Accrued insurance	23,245	23,482
Other current liabilities	109,649	133,722
	\$ 227,867	\$ 270,840

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. Long-term Debt, Net

Following is a summary of outstanding long-term debt, as of the periods indicated:

(dollars in thousands)	SEPTEMBER 30, 2018		DECEMBER 31, 2017	
	OUTSTANDING BALANCE	INTEREST RATE	OUTSTANDING BALANCE	INTEREST RATE
Senior Secured Credit Facility:				
Term loan A (1)	\$481,250	3.95	% \$500,000	3.27
Revolving credit facility (1)	650,000	3.95	% 600,000	3.26
Total Senior Secured Credit Facility	\$1,131,250		\$1,100,000	
Financing obligations	19,566	7.57% to 7.82%	19,579	7.52% to 7.82%
Capital lease obligations	2,732		2,015	
Other notes payable	959	0.00% to 2.18%	904	0.00% to 2.18%
Less: unamortized debt discount and issuance costs	(3,716)		(4,394)	
Total debt, net	\$1,150,791		\$1,118,104	
Less: current portion of long-term debt	(26,767)		(26,335)	
Long-term debt, net	\$1,124,024		\$1,091,769	

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

Debt Covenants - As of September 30, 2018 and December 31, 2017, the Company was in compliance with its debt covenants.

10. Other Long-term Liabilities, Net

Other long-term liabilities, net, consisted of the following, as of the periods indicated:

(dollars in thousands)	SEPTEMBER 30,	DECEMBER 31,
	2018	2017
Accrued insurance liability	\$ 35,269	\$ 35,945
Unfavorable leases (1)	33,567	36,661
Chef and Restaurant Managing Partner deferred compensation obligations and deposits	66,470	81,083
Other long-term liabilities (2)	50,824	56,754
	\$ 186,130	\$ 210,443

(1) Net of accumulated amortization of \$35.9 million and \$34.0 million as of September 30, 2018 and December 31, 2017, respectively.

(2) 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.

11. 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 September 30, 2018, \$51.0 million remained available for repurchase under the 2018 Share Repurchase Program.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Following is a summary of the shares repurchased under the Company's share repurchase program during fiscal year 2018:

	NUMBER OF SHARES (in thousands)	AVERAGE REPURCHASE PRICE PER SHARE	AMOUNT (dollars in thousands)
First fiscal quarter	2,116	\$ 24.10	\$ 50,996
Second fiscal quarter	1,287	\$ 23.31	30,004
Third fiscal quarter	968	\$ 18.57	17,968
Total common stock repurchases	4,371	\$ 22.64	\$ 98,968

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

	DIVIDENDS PER SHARE	AMOUNT (dollars in thousands)
First fiscal quarter	\$ 0.09	\$ 8,371
Second fiscal quarter	0.09	8,363
Third fiscal quarter	0.09	8,344
Total cash dividends declared and paid	\$ 0.27	\$ 25,078

In October 2018, the Board declared a quarterly cash dividend of \$0.09 per share, payable on November 21, 2018, to shareholders of record at the close of business on November 14, 2018.

Accumulated Other Comprehensive Loss ("AOCL")- Following are the components of AOCL:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Foreign currency translation adjustment	\$ (144,199)	\$ (98,573)
Unrealized gain (loss) on derivatives, net of tax	923	(626)
Accumulated other comprehensive loss	\$ (143,276)	\$ (99,199)

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2017	
Foreign currency translation adjustment	2018	2017	2018	2017
	\$ (16,591)	\$ 6,415	\$ (45,626)	\$ 17,816
Unrealized gain (loss) on derivatives, net of tax (1)	\$ 37	\$ 370	\$ 1,221	\$ (139)
Reclassification of adjustment for (gain) loss on derivatives included in Net income, net of tax (2)	(51)	492	328	1,919
Total unrealized (loss) gain on derivatives, net of tax	\$ (14)	\$ 862	\$ 1,549	\$ 1,780
Other comprehensive (loss) income attributable to Bloomin' Brands	\$ (16,605)	\$ 7,277	\$ (44,077)	\$ 19,596

Unrealized gain (loss) on derivatives is net of tax of \$0.2 million for the thirteen weeks ended September 24, 2017 (1) and \$0.4 million and (\$0.1) million for the thirty-nine weeks ended September 30, 2018 and September 24, 2017, respectively.

(2) Reclassifications of adjustments for losses on derivatives are net of tax. See Note 12 - Derivative Instruments and Hedging Activities for discussion of the tax impact of reclassifications.

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12. 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 "2014 Swap Agreements"). The 2014 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 2014 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 2014 Swap Agreements, which have been designated and qualify as cash flow hedges, 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 2014 Swap Agreements, as of the periods indicated:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - asset	\$ 1,144	\$ —	Other current assets, net
Interest rate swaps - asset	—	67	Other assets, net
Total fair value of derivative instruments - assets (1)	\$ 1,144	\$ 67	
Interest rate swaps - liability (1)	\$ —	\$ 1,010	Accrued and other current liabilities

(1) See Note 13 - Fair Value Measurements for fair value discussion of the interest rate swaps.

The following table summarizes the effects of the 2014 Swap Agreements on Net income for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 24, 2018	SEPTEMBER 24, 2017	SEPTEMBER 24, 2018	SEPTEMBER 24, 2017
Interest rate swap income (expense) recognized in Interest expense, net	\$ 68	\$ (804)	) \$(442)	\$ (3,105)
Income tax (expense) benefit recognized in (Benefit) provision for income taxes	(17)	) 312	114	1,186
Total effects of the interest rate swaps on Net income	\$ 51	\$ (492)	) \$(328)	\$ (1,919)

On October 24, 2018 and October 25, 2018, the Company entered into variable-to-fixed interest rate swap agreements with 12 counterparties to hedge a portion of the cash flows of the Company's variable rate debt (the "2018 Swap Agreements"). The 2018 Swap Agreements have an aggregate notional amount of \$550.0 million, a forward start date of May 16, 2019 (the maturity date of the 2014 Swap Agreements), and mature on November 30, 2022. Under the terms of the 2018 Swap Agreements, the Company will pay a weighted-average fixed rate of 3.04% on the notional amount and receive payments from the counterparty based on the one-month LIBOR rate.

The 2018 Swap Agreements have been designated and qualify as cash flow hedges, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. The Company estimates \$0.4 million will be reclassified to interest expense during 2019 related to the 2018 Swap Agreements.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

13. 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 periods indicated:

(dollars in thousands)	SEPTEMBER 30, 2018			DECEMBER 31, 2017		
	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2
Assets:						
Cash equivalents:						
Fixed income funds	\$391	\$391	\$—	\$1,830	\$1,830	\$—
Money market funds	16,082	16,082	—	24,656	24,656	—
Restricted cash equivalents:						
Money market funds	—	—	—	1,280	1,280	—
Other current assets, net						
Derivative instruments - interest rate swaps	1,144	—	1,144	—	—	—
Other assets, net:						
Derivative instruments - interest rate swaps	—	—	—	67	—	67
Total asset recurring fair value measurements	\$17,617	\$16,473	\$1,144	\$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

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

FINANCIAL INSTRUMENT	METHODS AND ASSUMPTIONS
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Fixed income funds and Money market funds	Carrying value approximates fair value because maturities are less than three months.
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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 September 30, 2018 and December 31, 2017, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.
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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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, for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018			THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018		
	CARRYING	TOTAL		CARRYING	TOTAL	
	VALUE	IMPAIRMENT		VALUE	IMPAIRMENT	
	(1)			(1)		
Assets held for sale	\$2,030	\$	61	\$2,080	\$	111
Property, fixtures and equipment	1,995	1,269		3,375	8,211	
	\$4,025	\$	1,330	\$5,455	\$	8,322

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017		
	CARRYING	TOTAL		CARRYING	TOTAL	
	VALUE	IMPAIRMENT		VALUE	IMPAIRMENT	
	(1)			(1)		
Assets held for sale	\$470	\$	249	\$470	\$	320
Property, fixtures and equipment	13,935	13,993		15,002	14,855	
	\$14,405	\$	14,242	\$15,472	\$	15,175

(1) Fair value for all assets is measured using third-party market appraisals or executed sales 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 periods indicated:

(dollars in thousands)	SEPTEMBER 30, 2018				DECEMBER 31, 2017			
	CARRYING		FAIR VALUE		CARRYING		FAIR VALUE	
	VALUE	LEVEL 2	LEVEL 3		VALUE	LEVEL 2	LEVEL 3	
Senior Secured Credit Facility:								
Term loan A	\$481,250	\$483,055	\$ —		\$500,000	\$502,500	\$ —	
Revolving credit facility	\$650,000	\$648,375	\$ —		\$600,000	\$598,500	\$ —	
Other notes payable	\$959	\$ —	\$ 954		\$904	\$ —	\$ 891	

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.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

14. Income Taxes

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	
(dollars in thousands)	2018	2017	2018	2017
(Benefit) provision for income taxes	\$(3,317)	\$ (3,248)	\$(6,516)	\$ 17,744
Effective income tax rate	(NM)	(NM)	(7.2)%	16.4 %

NM Not meaningful.

The increase in the benefit for income taxes for the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 was primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as a part of the legislation enacted in December 2017 known as the Tax Cuts and Jobs Act (the "Tax Act"), lower forecasted pre-tax income in 2018 and the impact of certain favorable discrete tax items recorded in 2018, partially offset by changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters in 2017.

The effective income tax rate for the thirty-nine weeks ended September 30, 2018 decreased by 23.6 percentage points as compared to the thirty-nine weeks ended September 24, 2017. The decrease was primarily due to the reduction in the U.S. federal corporate tax rate from the Tax Act, lower actual and 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 weeks ended September 30, 2018 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips and changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters. The effective income tax rate for the thirty-nine weeks ended September 30, 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 Tax Act - 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 September 30, 2018, the Company made reasonable estimates of the effects of the Tax Act but has not completed its accounting for all tax effects. Below is a summary of the provisional amounts the Company has recorded:

A provisional \$1.9 million net tax expense was recorded during 2017 related to the transition tax on accumulated foreign earnings, remeasurement of the Company's deferred tax assets and liabilities, the recording of a valuation allowance against foreign tax credit carryforwards and the write-off of certain deferred tax assets that will no longer be realized.

In January 2018, the Company recorded a \$5.6 million tax benefit for 2017 from the impact of the Tax Act on the retrospective adoption of ASU No. 2014-09.

During the thirteen weeks ended September 30, 2018, the Company made immaterial adjustments to the initial provisional amounts in association with the filing of its 2017 federal income tax return.

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 annual measurement period.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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 the 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 (the "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 foreign 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, it 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 September 30, 2018, the Company has not yet determined its accounting policy with regard to GILTI, and does not expect GILTI in 2018.

Other Tax Matters - The Company was previously under examination by tax authorities in South Korea for the 2008 to 2012 tax years. In connection with the examination, the Company was assessed and paid \$6.7 million of tax obligations. During the thirteen weeks ended September 30, 2018, the Company received final confirmation of relief from double taxation through competent authority. No material modifications were made to amounts previously recorded.

15. Commitments and Contingencies

Litigation and Other Matters - The Company had \$2.8 million and \$4.3 million of liabilities recorded for various legal matters as of September 30, 2018 and December 31, 2017, respectively.

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.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

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 September 30, 2018, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately \$27.8 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of September 30, 2018 was approximately \$19.2 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.

16. Segment Reporting

The Company identifies its restaurant concepts and international markets as operating segments, which reflects how the Company manages its business, reviews operating performance and allocates resources. 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"). The Company aggregates its operating segments into two reportable segments, U.S. and International. 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. The following is a summary of reporting segments:

REPORTABLE SEGMENT	(1) CONCEPT	GEOGRAPHIC LOCATION
U.S.	Outback Steakhouse	
	Carrabba's Italian Grill	
	Bonefish Grill	United States of America
	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 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 SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2018	2017	2018	2017
(dollars in thousands)		(Restated) (1)		(Restated) (1)
Total revenues				
U.S.	\$861,493	\$ 838,809	\$2,782,555	\$ 2,803,278
International	103,528	116,778	330,745	343,478
Total revenues	\$965,021	\$ 955,587	\$3,113,300	\$ 3,146,756

(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 from operations to Income before (benefit) provision for income taxes:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017	(Restated) (1)	2017	(Restated) (1)
(dollars in thousands)				
Segment income from operations				
U.S.	\$44,598	\$ 30,224	\$230,645	\$ 213,248
International	7,776	8,394	14,052	26,757
Total segment income from operations	52,374	38,618	244,697	240,005
Unallocated corporate operating expense	(39,837)	(33,399)	(120,865)	(116,610)
Total income from operations	12,537	5,219	123,832	123,395
Loss on extinguishment and modification of debt	—	—	—	(260)
Other (expense) income, net	(1)	7,531	(6)	14,761
Interest expense, net	(11,600)	(10,705)	(33,229)	(29,389)
Income before (benefit) provision for income taxes	\$936	\$ 2,045	\$90,597	\$ 108,507

(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 WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017		2017	
(dollars in thousands)				
Depreciation and amortization				
U.S.	\$39,796	\$ 37,186	\$119,063	\$ 111,192
International	6,420	7,036	19,866	20,550
Corporate	4,355	3,604	12,544	10,737
Total depreciation and amortization	\$50,571	\$ 47,826	\$151,473	\$ 142,479

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:

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
(dollars in thousands)		
U.S.	\$ 1,121,331	\$ 1,164,322
International		
Brazil	108,447	126,341
Other	18,649	18,012
Total assets	\$ 1,248,427	\$ 1,308,675

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

International revenues are defined as revenues generated from restaurant sales originating in a country other than the U.S. The following table details Total revenues by major geographic area:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017	(Restated) (1)	2017	(Restated) (1)
(dollars in thousands)				
U.S.	\$861,493	\$ 838,809	\$2,782,555	\$ 2,803,278
International				
Brazil	88,178	108,503	284,376	308,384
Other	15,350	8,275	46,369	35,094
Total revenue	\$965,021	\$ 955,587	\$3,113,300	\$ 3,146,756

(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.

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

- Our ability to implement our expansion, remodeling and relocation plans due to uncertainty in locating and
- (viii) 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;
- The effects of our substantial leverage and restrictive covenants in our various credit facilities on our ability to
- (xv) 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 September 30, 2018, we owned and operated 1,194 restaurants and franchised 294 restaurants across 48 states, Puerto Rico, Guam and 20 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 September 30, 2018 ("third quarter of 2018") include the following:

An increase in Total revenues of 1.0% to \$1.0 billion in the third quarter of 2018, as compared to the third quarter of 2017, primarily due to higher U.S. comparable restaurant sales and the net impact of restaurant openings and closures, partially offset by foreign currency translation of the Brazil Real relative to the U.S. dollar.

Income from operations of \$12.5 million in the third quarter of 2018, as compared to \$5.2 million in the third quarter of 2017, increased primarily due to lower impairment charges and restaurant closing costs, certain cost saving initiatives and increases in average check. These increases were partially offset by commodity and labor inflation, higher incentive compensation expense and lower comparable sales in Brazil.

International Restructuring - During the thirty-nine weeks ended September 30, 2018, we recognized asset impairment and closure charges of \$9.1 million related to the restructuring of certain international markets, including China.

Impact of Political Unrest in Brazil

Recently, unrest in Brazil ahead of the presidential election, including a truckers strike, 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. We are already seeing stronger trends in Brazil, including positive comparable restaurant sales in the final month of the third quarter.

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): SEPTEMBER 30, 2018 SEPTEMBER 24, 2017

U.S.		
Outback Steakhouse		
Company-owned	580	584
Franchised	153	156
Total	733	740
Carrabba's Italian Grill		
Company-owned	224	226
Franchised	3	3
Total	227	229
Bonefish Grill		
Company-owned	191	195
Franchised	7	7
Total	198	202
Fleming's Prime Steakhouse & Wine Bar		
Company-owned	70	68
Other		
Company-owned	5	1
U.S. Total	1,233	1,240
International		
Company-owned		
Outback Steakhouse - Brazil (1)	92	87
Other	32	36
Franchised		
Outback Steakhouse - South Korea	75	74
Other	56	54
International Total	255	251
System-wide total	1,488	1,491

(1) The restaurant counts for Brazil are reported as of August 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 WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
Revenues				
Restaurant sales	98.4	%	98.4	%
Franchise and other revenues	1.6		1.6	
Total revenues	100.0		100.0	
Costs and expenses				
Cost of sales (1)	32.4		31.6	
Labor and other related (1)	30.4		30.4	
Other restaurant operating (1)	24.6		25.1	
Depreciation and amortization	5.2		5.0	
General and administrative	7.0		6.9	
Provision for impaired assets and restaurant closings	0.4		1.9	
Total costs and expenses	98.7		99.5	
Income from operations	1.3		0.5	
Loss on extinguishment and modification of debt	—		—	
Other (expense) income, net	(*)		0.8	
Interest expense, net	(1.2)		(1.1)	
Income before (benefit) provision for income taxes	0.1		0.2	
(Benefit) provision for income taxes	(0.3)		(0.4)	
Net income	0.4		0.6	
Less: net income (loss) attributable to noncontrolling interests *	(*)		(*)	
Net income attributable to Bloomin' Brands	0.4	%	0.6	%

(1) As a percentage of Restaurant sales.

* Less than 1/10th of one percent of Total revenues.

RESTAURANT SALES

Following is a summary of the change in Restaurant sales for the periods indicated:

(dollars in millions)	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017 (1)	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
For the periods ended September 24, 2017 (1)	\$ 940.0	\$ 3,105.0
Change from:		
Comparable restaurant sales (2)	19.1	34.8
Restaurant openings (2)	16.1	46.6
Divestiture of restaurants through refranchising transactions	—	(64.4)
Effect of foreign currency translation	(16.6)	(25.2)

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Restaurant closings	(9.2	)	(32.9	)
For the periods ended September 30, 2018	\$ 949.4		\$ 3,063.9	

Restaurant sales have been restated for the thirteen and thirty-nine weeks ended September 24, 2017. See Note 1 - (1) Description of the Business and Basis of Presentation of the Notes to Consolidated Financial Statements for details regarding 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

The thirty-nine weeks ended September 24, 2017 included several high-volume days between December 26th and (2) December 31st and the thirty-nine weeks ended September 30, 2018 excluded these high-volume days. This shift had an approximate \$19.0 million negative impact on Restaurant sales in 2018.

The increase in Restaurant sales in the thirteen weeks ended September 30, 2018 was primarily attributable to higher U.S. comparable restaurant sales and the opening of 30 new restaurants not included in our comparable restaurant sales base. The increase in restaurant sales was partially offset by the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar and the closing of 26 restaurants since June 25, 2017.

The decrease in Restaurant sales in the thirty-nine weeks ended September 30, 2018 was primarily attributable to: (i) domestic refranchising, (ii) the closing of 63 restaurants since December 25, 2016, (iii) the effect of foreign currency translation primarily due to the depreciation of the Brazilian Real and (iv) the one-week shift in the fiscal calendar. The decrease in restaurant sales was partially offset by the opening of 48 new restaurants not included in our comparable restaurant sales base and higher U.S. comparable restaurant sales.

Average Restaurant Unit Volumes and Operating Weeks

Following is a summary of the average restaurant unit volumes and operating weeks, for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
	2018	2017 (Restated) (1)	2018	2017 (Restated) (1)
Average restaurant unit volumes:				
U.S.				
Outback Steakhouse	\$65,636	\$ 62,555	\$69,461	\$ 66,948
Carrabba's Italian Grill	\$51,000	\$ 51,167	\$55,542	\$ 55,935
Bonefish Grill	\$54,517	\$ 53,554	\$58,800	\$ 58,585
Fleming's Prime Steakhouse & Wine Bar International	\$71,046	\$ 68,809	\$80,557	\$ 79,300
Outback Steakhouse - Brazil (2)	\$67,149	\$ 83,856	\$75,136	\$ 85,214
Operating weeks:				
U.S.				
Outback Steakhouse	7,558	7,592	22,738	23,785
Carrabba's Italian Grill	2,912	2,950	8,748	8,974
Bonefish Grill	2,489	2,542	7,510	7,690
Fleming's Prime Steakhouse & Wine Bar International	910	875	2,718	2,624
Outback Steakhouse - Brazil	1,209	1,137	3,515	3,310

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.

Translated at average exchange rates of 3.84 and 3.22 for the thirteen weeks ended September 30, 2018 and (2) September 24, 2017, respectively, and 3.49 and 3.20 for the thirty-nine weeks ended September 30, 2018 and September 24, 2017, respectively.

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BLOOMIN' BRANDS, INC.

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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, for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 30, SEPTEMBER 24, 2018 2017 (1)				THIRTY-NINE WEEKS ENDED SEPTEMBER 30, SEPTEMBER 24, 2018 2017 (1)			
Year over year percentage change:								
Comparable restaurant sales (stores open 18 months or more) (2):								
U.S.								
Outback Steakhouse	4.6	%	0.6	%	4.3	%	0.8	%
Carrabba’s Italian Grill	(0.6)	%	(2.8	)%	—	%	(2.1	)%
Bonefish Grill	1.8	%	(4.3	)%	1.1	%	(2.4	)%
Fleming’s Prime Steakhouse & Wine Bar	0.5	%	(1.0	)%	1.4	%	(1.8	)%
Combined U.S. (3)	2.9	%	(1.0	)%	2.8	%	(0.5	)%
International								
Outback Steakhouse - Brazil (4)	(3.3)	%	4.8	%	(2.8)	%	6.9	%
Traffic:								
U.S.								
Outback Steakhouse	0.9	%	0.1	%	1.3	%	(1.1	)%
Carrabba’s Italian Grill	(2.9)	%	(4.2	)%	(4.8)	%	(4.5	)%
Bonefish Grill	(2.7)	%	(5.7	)%	(2.1)	%	(3.5	)%
Fleming’s Prime Steakhouse & Wine Bar	(4.2)	%	(6.5	)%	(4.7)	%	(6.6	)%
Combined U.S.	(0.5)	%	(1.9	)%	(0.6)	%	(2.3	)%
International								
Outback Steakhouse - Brazil	(5.5)	%	(1.5	)%	(5.0)	%	(0.1	)%
Average check per person increases (5):								
U.S.								
Outback Steakhouse	3.7	%	0.5	%	3.0	%	1.9	%
Carrabba’s Italian Grill	2.3	%	1.4	%	4.8	%	2.4	%
Bonefish Grill	4.5	%	1.4	%	3.2	%	1.1	%
Fleming’s Prime Steakhouse & Wine Bar	4.7	%	5.5	%	6.1	%	4.8	%
Combined U.S.	3.4	%	0.9	%	3.4	%	1.8	%
International								
Outback Steakhouse - Brazil	2.1	%	6.2	%	2.3	%	6.8	%

For Q3 2018, comparable restaurant sales and traffic compare the thirteen weeks from July 2, 2018 through September 30, 2018 to the thirteen weeks from July 3, 2017 through October 1, 2017, and the thirty-nine weeks from January 1, 2018 through September 30, 2018 to the thirty-nine weeks from January 2, 2017 through October 1, 2017.

(2)

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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.

(3) Combined U.S. comparable restaurant sales for the thirteen weeks ended September 24, 2017 includes an estimated (1.0%) impact related to hurricanes that occurred during the quarter.

(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.

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Franchise and other revenues

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018		
	2018	2017	(Restated) (1)	2018	2017	(Restated) (1)
(dollars in millions)						
Franchise revenues (2)	\$ 12.5	\$ 12.4		\$ 39.9	\$ 33.0	
Other revenues	3.1	3.2		9.5	8.7	
Franchise and other revenues	\$ 15.6	\$ 15.6		\$ 49.4	\$ 41.7	

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

(2) Represents franchise royalties, advertising fees and initial franchise fees.

COSTS AND EXPENSES

Cost of sales

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018				THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018			
	2018	2017	Change		2018	2017	Change	
(dollars in millions)								
Cost of sales	\$307.5	\$ 296.6			\$982.4	\$ 984.5		
% of Restaurant sales	32.4 %	31.6 %	0.8 %		32.1 %	31.7 %	0.4 %	

Cost of sales increased as a percentage of Restaurant sales in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 primarily due to 1.1% for commodity cost inflation, partially offset by a decrease as a percentage of Restaurant sales of 0.3% from the impact of certain cost saving initiatives.

Cost of sales increased as a percentage of Restaurant sales in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 primarily due to 0.9% for commodity cost inflation, partially offset by a decrease as a percentage of Restaurant sales of 0.7% for changes in average check per person.

Labor and other related expenses

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018				THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018			
	2018	2017	Change		2018	2017	Change	
(dollars in millions)								
Labor and other related	\$289.0	\$ 285.3			\$902.0	\$ 907.6		
% of Restaurant sales	30.4 %	30.4 %	0.0 %		29.4 %	29.2 %	0.2 %	

Labor and other related expenses were flat as a percentage of Restaurant sales in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 primarily due to 0.8% from wage rate increases, offset by decreases as a percentage of Restaurant sales of 0.5% 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 thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 primarily due to 0.9% 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
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Other restaurant operating expenses

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018		
	2017	Change		2017	Change	
(dollars in millions)	(Restated) (1)			(Restated) (1)		
Other restaurant operating	\$ 233.7	\$ 235.9		\$ 725.5	\$ 735.5	
% of Restaurant sales	24.6 %	25.1 %	(0.5)%	23.7 %	23.7 %	-%

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

Other restaurant operating expenses decreased as a percentage of Restaurant sales in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 primarily due to 0.6% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.2% from operating expense inflation.

Other restaurant operating expenses were flat as a percentage of Restaurant sales in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 primarily due to 0.4% from the impact of certain cost saving initiatives, offset by increases as a percentage of Restaurant sales of 0.2% from operating expense inflation and 0.2% from rent increases.

Depreciation and amortization

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018		
	2017	Change		2017	Change	
(dollars in millions)						
Depreciation and amortization	\$ 50.6	\$ 47.8	\$ 2.8	\$ 151.5	\$ 142.5	\$ 9.0

Depreciation and amortization expense increased in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 primarily due to additional depreciation expense related to restaurant openings and relocations, and technology projects.

Depreciation and amortization expense increased in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 primarily due to additional depreciation expense related to restaurant openings and relocations, and technology projects, partially offset by the impact of domestic refranchising and fewer renovations.

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BLOOMIN' BRANDS, INC.

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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 periods indicated below:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
(dollars in millions)		
For the periods ended September 24, 2017	\$ 66.1	\$ 215.1
Change from:		
Incentive compensation (1)	3.8	1.9
Severance	1.7	1.1
Compensation and benefits	(2.4)	(4.5)
Foreign currency exchange	(1.1)	(1.6)
Computer expense	(0.4)	1.7
Other	—	(1.2)
For the periods ended September 30, 2018	\$ 67.7	\$ 212.5

(1) Includes retention compensation and excludes stock-based compensation.

Provision for impaired assets and restaurant closings

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018
(dollars in millions)		
Provision for impaired assets and restaurant closings	\$ 4.0	\$ 15.6
	\$ 18.6	\$ 38.3
	\$ (14.6)	\$ (22.7)

During the thirty-nine weeks ended September 30, 2018, we recognized asset impairment and closure charges of \$9.1 million 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 \$3.8 million and \$21.8 million during the thirteen and thirty-nine weeks ended September 24, 2017, respectively. We expect to incur additional charges of approximately \$2.2 million to \$2.8 million for the Closure Initiatives through Q3 2019, including costs associated with lease obligations.

During the thirteen and thirty-nine weeks ended September 24, 2017, we recognized impairment charges of \$9.5 million within the U.S. segment in connection with the remeasurement of certain surplus properties currently leased to the owners of our former restaurant concepts.

The remaining restaurant impairment and closing charges resulted primarily from locations identified for remodel, relocation or closure.

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

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Income from operations

	THIRTEEN WEEKS ENDED SEPTEMBER 24,				THIRTY-NINE WEEKS ENDED SEPTEMBER 24,			
	2018	2017			2018	2017		
(dollars in millions)		(Restated) (1)	Change			(Restated) (1)	Change	
Income from operations	\$ 12.5	\$ 5.2	\$ 7.3		\$ 123.8	\$ 123.4	\$ 0.4	
% of Total revenues	1.3	% 0.5	% 0.8		% 4.0	% 3.9	% 0.1	

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

The increase in income from operations generated in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 was primarily due to: (i) lower impairment charges and restaurant closing costs, (ii) the impact of certain cost saving initiatives and (iii) increases in average check per person. These increases were partially offset by: (i) commodity and labor inflation, (ii) higher incentive compensation expense and (iii) lower comparable sales in Brazil.

The increase in income from operations generated in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 was primarily due to: (i) increases in average check per person, (ii) lower impairment charges and restaurant closing costs and (iii) the impact of certain cost saving initiatives. These increases were partially offset by: (i) commodity, labor and operating expense inflation, (ii) higher depreciation and amortization expense, (iii) increased rent expense and (iv) higher incentive compensation expense.

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. Other income, net, for the thirteen and thirty-nine weeks ended September 24, 2017 includes a net gain of \$8.4 million from the sale of one U.S Company-owned Carrabba's Italian Grill location, and for the thirty-nine weeks ended September 24, 2017 an aggregate net gain of \$7.4 million in connection with the sale of 54 of our U.S. Company-owned locations to two of our existing franchisees in 2017.

We continue to pursue refranchising opportunities in select markets as we look to further optimize our restaurant portfolio. As a result of these transactions, we may record future net gains or losses, impairment charges or transaction related expenses.

Interest expense, net

	THIRTEEN WEEKS ENDED SEPTEMBER 24,				THIRTY-NINE WEEKS ENDED SEPTEMBER 24,			
	2018	2017			2018	2017		
(dollars in millions)			Change				Change	
Interest expense, net	\$ 11.6	\$ 10.7	\$ 0.9		\$ 33.2	\$ 29.4	\$ 3.8	

The increase in Interest expense, net for the thirteen weeks ended September 30, 2018 is primarily due to higher interest rates, partially offset by lower interest expense from our derivative instruments.

The increase in Interest expense, net for the thirty-nine weeks ended September 30, 2018 is primarily due 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 expense from our derivative instruments and (ii) repayment of our PRP mortgage loan.

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BLOOMIN' BRANDS, INC.

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

(Benefit) provision for income taxes

	THIRTEEN WEEKS ENDED				THIRTY-NINE WEEKS ENDED			
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	Change		SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	Change	
(Benefit) provision for income taxes	\$(3,317)	\$ (3,248)	)		\$(6,516)	\$ 17,744		
Effective income tax rate	(NM)	(NM)	(NM)		(7.2)%	16.4 %		(23.6)%

NM Not meaningful.

The increase in the benefit for income taxes for the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 was primarily due to a reduction in the U.S. federal corporate tax rate from the Tax Act, lower forecasted pre-tax income in 2018 and the impact of certain favorable discrete tax items recorded in 2018, partially offset by changes to our estimate of the forecasted full-year effective tax rate relative to prior quarters in 2017.

The effective income tax rate for the thirty-nine weeks ended September 30, 2018 decreased by 23.6 percentage points as compared to the thirty-nine weeks ended September 24, 2017. The decrease was primarily due to a reduction in the U.S. federal corporate tax rate from the Tax Act, lower actual and 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 identify our restaurant concepts and international markets as operating segments, which reflects how we manage our business, review operating performance and allocate resources. Resources are allocated and performance is assessed by our CEO, whom we have determined to be our CODM. We aggregate our operating segments into two reportable segments, U.S. and International. 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. The following is a summary of reporting segments:

REPORTABLE 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 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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Refer to Note 16 - Segment Reporting of the Notes to Consolidated Financial Statements for a reconciliation of segment income from operations to the consolidated operating results.

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 ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	
	2017 (Restated) (1)		2017 (Restated) (1)	
(dollars in thousands)				
Revenues				
Restaurant sales	\$848,837	\$ 826,076	\$2,742,118	\$ 2,769,895
Franchise and other revenues	12,656	12,733	40,437	33,383
Total revenues	\$861,493	\$ 838,809	\$2,782,555	\$ 2,803,278
Restaurant-level operating margin	11.9 %	11.8 %	14.4 %	14.6 %
Income from operations	\$44,598	\$ 30,224	\$230,645	\$ 213,248
Operating income margin	5.2 %	3.6 %	8.3 %	7.6 %

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

Restaurant sales

Following is a summary of the change in U.S. segment Restaurant sales for the periods indicated:

(dollars in millions)	THIRTEEN WEEKS ENDED	THIRTY-NINE WEEKS ENDED
For the periods ended September 24, 2017 (1)	\$ 826.1	\$ 2,769.9
Change from:		
Comparable restaurant sales (2)	22.4	43.7
Restaurant openings (2)	5.8	17.7
Divestiture of restaurants through refranchising transactions	—	(64.4)
Restaurant closings	(5.5)	(24.8)
For the periods ended September 30, 2018	\$ 848.8	\$ 2,742.1

Restaurant sales have been restated for the thirteen and thirty-nine weeks ended September 24, 2017. See Note 1 - (1) Description of the Business and Basis of Presentation of the Notes to Consolidated Financial Statements for details regarding the impact of implementing ASU No. 2014-09.

(2) The thirty-nine weeks ended September 30, 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 September 30, 2018 was primarily attributable to higher comparable restaurant sales and the opening of 10 new restaurants not included in our comparable restaurant sales base, partially offset by the closing of 13 restaurants since June 25, 2017.

The decrease in U.S. Restaurant sales in the thirty-nine weeks ended September 30, 2018 was primarily attributable to the refranchising of certain Company-owned restaurants, the closing of 50 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.

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BLOOMIN' BRANDS, INC.

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Income from operations

The increase in U.S. income from operations generated in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017, was primarily due to: (i) lower impairment charges and restaurant closing costs, primarily related to the remeasurement of certain surplus properties in 2017, (ii) the impact of certain cost saving initiatives and (iii) increases in average check per person, partially offset by commodity and labor expense inflation.

The increase in U.S. income from operations generated in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017, was primarily due to: (i) lower impairment charges and restaurant closing costs, primarily related to the Closure Initiatives and the remeasurement of certain surplus properties in 2017, (ii) the impact of certain cost saving initiatives and (iii) increases in average check per person, partially offset by commodity, labor and operating expense inflation and higher depreciation and amortization expense.

International Segment

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
(dollars in thousands)		(Restated) (1)		(Restated) (1)
Revenues				
Restaurant sales	\$100,563	\$ 113,936	\$321,769	\$ 335,132
Franchise and other revenues	2,965	2,842	8,976	8,346
Total revenues	\$103,528	\$ 116,778	\$330,745	\$ 343,478
Restaurant-level operating margin	17.9 %	20.7 %	18.4 %	20.7 %
Income from operations	\$7,776	\$ 8,394	\$14,052	\$ 26,757
Operating income margin	7.5 %	7.2 %	4.2 %	7.8 %

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

Restaurant sales

Following is a summary of the change in International segment Restaurant sales for the periods indicated:

(dollars in millions)	THIRTEEN WEEKS ENDED	THIRTY-NINE WEEKS ENDED
For the periods ended September 24, 2017 (1)	\$ 113.9	\$ 335.1
Change from:		
Effect of foreign currency translation	(16.6)	(25.2)
Restaurant closings	(3.7)	(8.1)
Comparable restaurant sales	(3.3)	(8.9)
Restaurant openings	10.3	28.9
For the periods ended September 30, 2018	\$ 100.6	\$ 321.8

Restaurant sales have been restated for the thirteen and thirty-nine weeks ended September 24, 2017. See Note 1 - (1)Description of the Business and Basis of Presentation of the Notes to Consolidated Financial Statements for details regarding the impact of implementing ASU No. 2014-09.

The decrease in Restaurant sales in the thirteen weeks ended September 30, 2018 was primarily attributable to: (i) the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar, (ii) the closing of 13 restaurants since June 25, 2017 and (iii) lower comparable restaurant sales, partially offset by the opening of 20 new restaurants not included in our comparable restaurant sales base.

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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 thirty-nine weeks ended September 30, 2018 was primarily attributable to: (i) the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar, (ii) lower comparable restaurant sales and (iii) the closing of 13 restaurants since December 25, 2016, partially offset by the opening of 33 new restaurants not included in our comparable restaurant sales base.

Income from operations

The decrease in International income from operations in the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 was primarily due to lower comparable sales in Brazil and an increase in labor, commodity and operating expense inflation, partially offset by lower general and administrative expense and lower impairment charges and restaurant closing costs. General and administrative expense for the International segment decreased primarily from lower incentive compensation expense and the effects of currency exchange.

The decrease in International income from operations in the thirty-nine weeks ended September 30, 2018 as compared to the thirty-nine weeks ended September 24, 2017 was primarily due to: (i) certain impairment charges and restaurant closing costs, (ii) labor, operating expense and commodity inflation, (iii) an increase in advertising expense and (iv) changes in product mix. These decreases were offset by an increase 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. Franchise sales within this table do not represent our sales and are 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 (dollars in millions)	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2018	2017	2018	2017
U.S.				
Outback Steakhouse (1)	\$ 122	\$ 123	\$ 391	\$ 327
Carrabba's Italian Grill (1)	4	3	9	7
Bonefish Grill	3	3	11	11
U.S. Total	\$ 129	\$ 129	\$ 411	\$ 345
International				
Outback Steakhouse-South Korea	\$ 47	\$ 43	\$ 149	\$ 127
Other	28	28	83	85
International Total	\$ 75	\$ 71	\$ 232	\$ 212
Total franchise sales (2)	\$ 204	\$ 200	\$ 643	\$ 557

-
- (1) In Q2 2017, we sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant, which are now operated as franchises.
- (2) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

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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					
	SEPTEMBER 30, 2018			SEPTEMBER 24, 2017		
	U.S. GAAP	ADJUSTED (1)		U.S. GAAP	ADJUSTED (1)	
Restaurant sales	100.0 %	100.0 %		100.0 %	100.0 %	
Cost of sales	32.4 %	32.4 %		31.6 %	31.6 %	
Labor and other related	30.4 %	30.4 %		30.4 %	30.4 %	
Other restaurant operating	24.6 %	24.8 %		25.1 %	25.1 %	
Restaurant-level operating margin	12.5 %	12.4 %		13.0 %	13.0 %	

	THIRTY-NINE WEEKS ENDED					
	SEPTEMBER 30, 2018			SEPTEMBER 24, 2017		
	U.S. GAAP	ADJUSTED (1)		U.S. GAAP	ADJUSTED (1)	
Restaurant sales	100.0 %	100.0 %		100.0 %	100.0 %	
Cost of sales	32.1 %	32.1 %		31.7 %	31.7 %	
Labor and other related	29.4 %	29.4 %		29.2 %	29.2 %	
Other restaurant operating	23.7 %	23.8 %		23.7 %	23.9 %	
Restaurant-level operating margin	14.8 %	14.7 %		15.4 %	15.2 %	

(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 WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018		SEPTEMBER 24, 2017	
	2018	2017	2018	2017
Restaurant and asset impairments and closing costs	\$ 1.0	\$ —	\$ 3.2	\$ 4.8
Restaurant relocations and related costs	0.2	0.2	0.6	0.7
	\$ 1.2	\$ 0.2	\$ 3.8	\$ 5.5

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BLOOMIN' BRANDS, INC.

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

Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share				
(in thousands, except per share data)	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 24, 2018		SEPTEMBER 24, 2017	
	2018	2017	2018	2017
Income from operations	\$12,537	\$ 5,219	\$123,832	\$ 123,395
Operating income margin	1.3	% 0.5	4.0	% 3.9
Adjustments:				
Restaurant and asset impairments and closing costs (1)	\$2,840	\$ 15,292	\$12,021	\$ 31,491
Severance (2)	2,528	1,015	3,493	1,015
Restaurant relocations and related costs (3)	1,560	3,743	4,638	8,101
Legal and contingent matters	—	—	758	—
Transaction-related expenses (4)	—	—	—	1,447
Total income from operations adjustments	\$6,928	\$ 20,050	\$20,910	\$ 42,054
Adjusted income from operations	\$19,465	\$ 25,269	\$144,742	\$ 165,449
Adjusted operating income margin	2.0	% 2.6	4.6	% 5.3
Net income attributable to Bloomin' Brands	\$4,072	\$ 5,583	\$96,191	\$ 89,341
Adjustments:				
Income from operations adjustments	6,928	20,050	20,910	42,054
Gain on disposal of business and other costs (5)	—	(7,570)	—	(14,854)
Loss on extinguishment and modification of debt	—	—	—	260
Total adjustments, before income taxes	6,928	12,480	20,910	27,460
Adjustment to provision for income taxes (6)	(1,643)	(5,074)	(3,762)	(14,018)
Net adjustments	5,285	7,406	17,148	13,442
Adjusted net income	\$9,357	\$ 12,989	\$113,339	\$ 102,783
Diluted earnings per share	\$0.04	\$ 0.06	\$1.02	\$ 0.88
Adjusted diluted earnings per share	\$0.10	\$ 0.14	\$1.20	\$ 1.01
Diluted weighted average common shares outstanding	93,324	95,655	94,489	101,497

Represents asset impairment charges and related costs primarily associated with: (i) approved closure and (1) restructuring initiatives, (ii) the restructuring of certain international markets in 2018 and (iii) the remeasurement of certain surplus properties.

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

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

(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: (i) the sale of 54 U.S. Company-owned restaurants to existing franchisees, (ii) a gain on the sale of one Carrabba's Italian Grill restaurant and (iii) expenses related to certain surplus properties.

(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 thirty-nine weeks ended September 24, 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 September 30, 2018, we had \$78.6 million in cash and cash equivalents, of which \$24.6 million was held by foreign affiliates. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit repatriation.

We previously considered the earnings in our foreign 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 14 - Income Taxes of the Notes to Consolidated Financial Statements for further information regarding the Tax Act.

As of September 30, 2018, we had aggregate E&P from foreign subsidiaries of approximately \$103.0 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 \$21.6 million to \$26.5 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 September 30, 2018, we had \$1.1 billion of outstanding borrowings under our Senior Secured Credit Facility. 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 and principal payments and debt issuance from December 31, 2017 to September 30, 2018:

(dollars in thousands)	SENIOR SECURED CREDIT FACILITY		TOTAL CREDIT FACILITIES
	TERM LOAN A	REVOLVING FACILITY	
Balance as of December 31, 2017	\$500,000	\$ 600,000	\$ 1,100,000
2018 new debt	—	379,700	379,700
2018 payments	(18,750)	(329,700)	(348,450)
Balance as of September 30, 2018	\$481,250	\$ 650,000	\$ 1,131,250

Weighted-average interest rate, as of September 30, 2018 3.95 % 3.95 %
Principal maturity date

November 2022	November 2022
------------------	------------------

Credit Agreement - As of September 30, 2018, we had \$327.9 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of \$22.1 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

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BLOOMIN' BRANDS, INC.

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

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 September 29, 2019.

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 September 30, 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.

Cash Flow Hedges of Interest Rate Risk - We have variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt. The 2014 Swap Agreements have an aggregate notional amount of \$400.0 million and mature on May 16, 2019. We pay a weighted-average fixed rate of 2.02% on the \$400.0 million notional amount and receive payments from the counterparty based on the 30-day LIBOR rate.

In October 2018, we entered into variable-to-fixed interest rate swap agreements with 12 counterparties to hedge a portion of the cash flows of our variable rate debt. The 2018 Swap Agreements have an aggregate notional amount of \$550.0 million, a forward start date of May 16, 2019 (the maturity date of the 2014 Swap Agreements), and mature on November 30, 2022. Under the terms of the 2018 Swap Agreements, we will pay a weighted-average fixed rate of 3.04% on the notional amount and receive payments from the counterparty based on the one-month LIBOR rate. See Note 12 - Derivative Instruments and Hedging Activities of the Notes to Consolidated Financial Statements for further information.

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:

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
(dollars in thousands)		
Net cash provided by operating activities	\$ 155,196	\$ 223,015
Net cash used in investing activities	(124,303)	(62,535)
Net cash used in financing activities	(76,960)	(196,206)
Effect of exchange rate changes on cash and cash equivalents	(4,861)	1,972
Net decrease in cash, cash equivalents and restricted cash	\$(50,928)	\$ (33,754)

Operating activities - Net cash provided by operating activities decreased during the thirty-nine weeks ended September 30, 2018, as compared to the thirty-nine weeks ended September 24, 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 thirty-nine weeks ended September 30, 2018 consisted of capital expenditures, partially offset by proceeds from sale-leaseback transactions and proceeds from the disposal of property, fixtures and equipment.

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BLOOMIN' BRANDS, INC.

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Net cash used in investing activities for the thirty-nine weeks ended September 24, 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 thirty-nine weeks ended September 30, 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 drawdowns on our revolving credit facility, net of repayments and proceeds from share-based compensation.

Net cash used in financing activities for the thirty-nine weeks ended September 24, 2017 was primarily attributable to the following: (i) the repurchase of common stock, (ii) repayments on our PRP Mortgage Loan, (iii) payment of cash dividends on our common stock, (iv) repayments of partner deposits and accrued partner obligations and (v) the purchase of outstanding limited partnership interests in certain restaurants. Net cash used in financing activities was partially offset by proceeds from: (i) the incremental Term loan A-2, (ii) drawdowns on our revolving credit facility, net of repayments, and (iii) 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):

	SEPTEMBER 30, DECEMBER 31,	
(dollars in thousands)	2018	2017
Current assets	\$ 228,454	\$ 360,209
Current liabilities	620,649	813,392
Working capital (deficit)	\$ (392,195)	) \$ (453,183)

Working capital (deficit) includes Unearned revenue primarily from unredeemed gift cards of \$202.3 million and \$330.8 million as of September 30, 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 \$81.7 million and \$96.3 million as of September 30, 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 \$35.6 million as of September 30, 2018.

We use capital to fund the deferred compensation plans and currently expect annual cash funding of \$14.0 million to \$16.0 million for 2018. 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.

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BLOOMIN' BRANDS, INC.

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

DIVIDENDS AND SHARE REPURCHASES

Dividends - In October 2018, the Board declared a quarterly cash dividend of \$0.09 per share, payable on November 21, 2018. Future dividend payments are dependent on our earnings, financial condition, capital expenditure requirements, surplus and other factors that the Board considers relevant.

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 September 30, 2018, we had \$51.0 million remaining available for repurchase under the 2018 Share Repurchase Program.

Following is a summary of our dividends and share repurchases from fiscal year 2015 through September 30, 2018:

(dollars in thousands)	DIVIDENDS PAID	SHARE REPURCHASES (1)	TOTAL
Fiscal year 2015	\$ 29,332	\$ 169,999	\$199,331
Fiscal year 2016	31,379	309,887	341,266
Fiscal year 2017	30,988	272,736	303,724
First fiscal quarter 2018	8,371	50,996	59,367
Second fiscal quarter 2018	8,363	30,004	38,367
Third fiscal quarter 2018	8,344	17,968	26,312
Total	\$ 116,777	\$ 851,590	\$968,367

(1) Excludes share repurchases for the settlement of taxes related to equity awards of \$180, \$447, and \$770 for fiscal years 2017, 2016 and 2015, respectively.

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 Brazilian 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 thirty-nine weeks ended September 30, 2018, a 10% change in average foreign currency rates against the U.S. dollar would have increased or decreased our Total revenues and Net income for our consolidated foreign entities by \$35.8 million and \$0.6 million, respectively. 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 September 30, 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 September 30, 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 15 - 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 third 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 September 30, 2018:

REPORTING PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (1)
July 2, 2018 through July 29, 2018	—	\$ —	—	\$ 69,000,043
July 30, 2018 through August 26, 2018	967,622	\$ 18.57	967,622	\$ 51,032,265
August 27, 2018 through September 30, 2018	—	\$ —	—	\$ 51,032,265
Total	967,622		967,622	

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: November 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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