

Bloomin' Brands, Inc.  
Form 10-Q  
May 03, 2019

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 March 31, 2019  
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	BLMN	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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.

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Smaller reporting company  Emerging growth company

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 April 30, 2019, 91,705,720 shares of common stock of the registrant were outstanding.

---

Table of Contents

BLOOMIN' BRANDS, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q  
 For the Quarterly Period Ended March 31, 2019  
 (Unaudited)

TABLE OF CONTENTS

	Page No.
<u>PART I — FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
<u>Consolidated Financial Statements:</u>	
<u>Consolidated Balance Sheets — March 31, 2019 and December 30, 2018</u>	<u>3</u>
<u>Consolidated Statements of Operations and Comprehensive Income — For the Thirteen Weeks Ended March 31, 2019 and April 1, 2018</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity — For the Thirteen Weeks Ended March 31, 2019 and April 1, 2018</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows — For the Thirteen Weeks Ended March 31, 2019 and April 1, 2018</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
Item 4. <u>Controls and Procedures</u>	<u>43</u>
<u>PART II — OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>44</u>
Item 1A. <u>Risk Factors</u>	<u>44</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
Item 6. <u>Exhibits</u>	<u>45</u>
<u>Signature</u>	<u>46</u>

Table of Contents

## BLOOMIN' BRANDS, INC.

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

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

	MARCH 31, DECEMBER 30,	
	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$82,766	\$ 71,823
Inventories	73,149	72,812
Other current assets, net	93,909	190,848
Total current assets	249,824	335,483
Property, fixtures and equipment, net	1,079,494	1,115,929
Operating lease right-of-use assets	1,276,311	—
Goodwill	297,784	295,427
Intangible assets, net	479,744	503,972
Deferred income tax assets, net	49,766	92,990
Other assets, net	119,624	120,973
Total assets	\$3,552,547	\$ 2,464,774
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$166,320	\$ 174,488
Accrued and other current liabilities	378,272	246,653
Unearned revenue	250,703	342,708
Current portion of long-term debt	26,680	27,190
Total current liabilities	821,975	791,039
Non-current operating lease liabilities	1,285,073	—
Deferred rent	—	167,027
Deferred income tax liabilities	14,730	14,790
Long-term debt, net	1,037,630	1,067,585
Long-term portion of deferred gain on sale-leaseback transactions, net	—	177,983
Other long-term liabilities, net	140,776	191,533
Total liabilities	3,300,184	2,409,957
Commitments and contingencies (Note 16)		
Stockholders' equity		
Bloomin' Brands stockholders' equity		
Preferred stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of March 31, 2019 and December 30, 2018	—	—
Common stock, \$0.01 par value, 475,000,000 shares authorized; 91,646,542 and 91,271,825 shares issued and outstanding as of March 31, 2019 and December 30, 2018, respectively	916	913
Additional paid-in capital	1,099,346	1,107,582
Accumulated deficit	(714,425)	(920,010)
Accumulated other comprehensive loss	(141,653)	(142,755)
Total Bloomin' Brands stockholders' equity	244,184	45,730
Noncontrolling interests	8,179	9,087
Total stockholders' equity	252,363	54,817

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Total liabilities and stockholders' equity	\$3,552,547	\$ 2,464,774
--	-------------	--------------

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

3

---

Table of Contents

BLOOMIN' BRANDS, INC.

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

	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Revenues		
Restaurant sales	\$1,111,642	\$1,099,003
Franchise and other revenues	16,489	17,462
Total revenues	1,128,131	1,116,465
Costs and expenses		
Cost of sales	352,111	352,132
Labor and other related	319,015	311,062
Other restaurant operating	250,854	253,345
Depreciation and amortization	49,482	50,120
General and administrative	70,589	68,696
Provision for impaired assets and restaurant closings	3,586	2,739
Total costs and expenses	1,045,637	1,038,094
Income from operations	82,494	78,371
Other (expense) income, net	(168	) 1
Interest expense, net	(11,181	) (10,310 )
Income before provision for income taxes	71,145	68,062
Provision for income taxes	5,496	1,925
Net income	65,649	66,137
Less: net income attributable to noncontrolling interests	1,349	739
Net income attributable to Bloomin' Brands	\$64,300	\$65,398
Net income	\$65,649	\$66,137
Other comprehensive income:		
Foreign currency translation adjustment, net of tax	5,755	1,349
Unrealized (loss) gain on derivatives, net of tax	(4,381	) 888
Reclassification of adjustment for (gain) loss on derivatives included in Net income, net of tax	(364	) 308
Comprehensive income	66,659	68,682
Less: comprehensive income attributable to noncontrolling interests	1,257	721
Comprehensive income attributable to Bloomin' Brands	\$65,402	\$67,961
Earnings per share:		
Basic	\$0.70	\$0.71
Diluted	\$0.69	\$0.68
Weighted average common shares outstanding:		
Basic	91,415	92,268
Diluted	92,661	95,782

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



Table of Contents

## BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.				ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM- ULATED DEFICIT			
Balance, December 30, 2018	91,272	\$ 913	\$ 1,107,582	\$(920,010)	\$ (142,755)	) \$ 9,087	\$ 54,817
Cumulative-effect from a change in accounting principle, net of tax	—	—	—	141,285	—	—	141,285
Net income	—	—	—	64,300	—	1,349	65,649
Other comprehensive income (loss), net of tax	—	—	—	—	1,102	(92)	) 1,010
Cash dividends declared, \$0.10 per common share	—	—	(9,140)	) —	—	—	(9,140)
Stock-based compensation	—	—	3,993	—	—	—	3,993
Common stock issued under stock plans (1)	375	3	(3,089)	) —	—	—	(3,086)
Distributions to noncontrolling interests	—	—	—	—	—	(2,429)	) (2,429)
Contributions from noncontrolling interests	—	—	—	—	—	264	264
Balance, March 31, 2019	91,647	\$ 916	\$ 1,099,346	\$(714,425)	\$ (141,653)	) \$ 8,179	\$ 252,363

(CONTINUED...)



Table of Contents

## 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 31, 2017	91,913	\$ 919	\$ 1,081,813	\$(913,191)	\$ (99,199)	) \$ 10,889	\$ 81,231
Net income	—	—	—	65,398	—	818	66,216
Other comprehensive income (loss), net of tax	—	—	—	—	2,563	(18)	) 2,545
Cash dividends declared, \$0.09 per common share	—	—	(8,371)	) —	—	—	(8,371)
Repurchase and retirement of common stock	(2,116)	(21)	) —	(50,975)	) —	—	(50,996)
Stock-based compensation	—	—	5,121	—	—	—	5,121
Common stock issued under stock plans (1)	1,619	16	13,663	—	—	—	13,679
Change in the redemption value of redeemable interests	—	—	(79)	) —	—	—	(79)
Distributions to noncontrolling interests	—	—	—	—	—	(1,069)	) (1,069)
Contributions from noncontrolling interests	—	—	—	—	—	158	158
Balance, April 1, 2018	91,416	\$ 914	\$ 1,092,147	\$(898,768)	\$ (96,636)	) \$ 10,778	\$ 108,435

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

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

Table of Contents

BLOOMIN' BRANDS, INC.

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

	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Cash flows provided by operating activities:		
Net income	\$65,649	\$66,137
Adjustments to reconcile Net income to cash provided by operating activities:		
Depreciation and amortization	49,482	50,120
Amortization of deferred discounts and issuance costs	634	643
Amortization of deferred gift card sales commissions	8,407	9,415
Provision for impaired assets and restaurant closings	3,586	2,739
Amortization of operating lease assets	17,814	—
Stock-based and other non-cash compensation expense	6,035	6,058
Deferred income tax (benefit) expense	(501 )	126
Loss on sale of a business or subsidiary	167	—
Recognition of deferred gain on sale-leaseback transactions	—	(3,069 )
Other, net	(660 )	114
Change in assets and liabilities	(66,730 )	(80,748 )
Net cash provided by operating activities	83,883	51,535
Cash flows used in investing activities:		
Capital expenditures	(44,710 )	(48,347 )
Other investments, net	2,690	2,137
Net cash used in investing activities	(42,020 )	(46,210 )
Cash flows used in financing activities:		
Repayments of long-term debt	(7,428 )	(6,436 )
Proceeds from borrowings on revolving credit facilities, net	148,200	151,829
Repayments of borrowings on revolving credit facilities	(152,300)	(122,000 )
(Payments of taxes) proceeds from the exercise of share-based compensation, net	(3,086 )	13,679
Distributions to noncontrolling interests	(2,429 )	(1,069 )
Contributions from noncontrolling interests	264	158
Purchase of limited partnership and noncontrolling interests	—	(1,444 )
Repayments of partner deposits and accrued partner obligations	(5,460 )	(4,432 )
Repurchase of common stock	—	(50,996 )
Cash dividends paid on common stock	(9,140 )	(8,371 )
Net cash used in financing activities	(31,379 )	(29,082 )
Effect of exchange rate changes on cash and cash equivalents	459	54
Net increase (decrease) in cash, cash equivalents and restricted cash	10,943	(23,703 )
Cash, cash equivalents and restricted cash as of the beginning of the period	71,823	129,543
Cash and cash equivalents as of the end of the period	\$82,766	\$105,840
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$13,637	\$9,401
Cash paid for income taxes, net of refunds	4,255	1,696
Supplemental disclosures of non-cash investing and financing activities:		
Leased assets obtained in exchange for new operating lease liabilities	\$17,618	\$—

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Leased assets obtained in exchange for new finance lease liabilities	76	—
Decrease in liabilities from the acquisition of property, fixtures and equipment or capital leases	(6,066 )	(4,985 )

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

7

---

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. Description of the Business and Basis of Presentation

Description of the Business - Bloomin' Brands ("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. Additional Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants in which the Company has no direct investment 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 30, 2018.

Recently Adopted Financial Accounting Standards - On December 31, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2016-02: Leases (Topic 842) ("ASU No. 2016-02"), ASU No. 2018-01: Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ("ASU No. 2018-01"), and ASU No. 2018-11: Leases (Topic 842): Targeted Improvements ("ASU No. 2018-11"). ASU No. 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU No. 2018-01 allows an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the Company's adoption of ASU No. 2016-02. ASU No. 2018-11 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 and provides entities with a practical expedient that allows entities to elect not to separate lease and non-lease components when certain conditions are met.

The Company adopted ASU No. 2016-02 using December 31, 2018 as the date of initial application. Consequently, financial information and the disclosures required under the new standard were not provided for dates and periods before December 31, 2018. The Company also elected a transition package including practical expedients that permitted it not to reassess the classification and initial direct costs of expired or existing contracts and leases, to not separate lease and non-lease components of restaurant facility leases executed subsequent to adoption, and to not evaluate land easements that exist or expired before the adoption. In preparation for adoption, the Company implemented a new lease accounting system.

Adoption resulted in the following, as of December 31, 2018:

- (i) recording of right-of-use assets of \$1.3 billion and lease liabilities of \$1.5 billion;
  - a credit to the beginning balance of Accumulated Deficit of \$190.4 million to derecognize deferred gains on
- (ii) sale-leaseback transactions and a debit to the beginning balance of Accumulated Deficit of \$49.2 million to derecognize the related deferred tax assets; and
- (iii)

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

derecognition of existing debt obligations of \$19.6 million and existing fixed assets of \$16.1 million related to restaurant properties sold and leased back from third parties that previously did not qualify for sale accounting, with gains or losses associated with this change recognized in Accumulated Deficit.

Other restaurant operating expense increased during thirteen weeks ended March 31, 2019 from the adoption of ASU No. 2016-02 since the Company no longer recognizes the benefit of deferred gains on sale-leaseback transactions

8

---

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

through its statements of operations over the corresponding lease term. During the thirteen weeks ended April 1, 2018, the Company recognized \$3.1 million of sale-leaseback deferred gain amortization.

As a result of adoption of ASU No. 2016-02, the Company recorded reclassification adjustments to certain balances that were recorded under Accounting Standards Codification Topic 840, "Leases" ("ASC 840") in its Consolidated Balance Sheet as of December 30, 2018. The following table summarizes accounts with material reclassification adjustments which impacted Operating lease right-of-use assets as a part of the adoption of ASU No. 2016-02:

ACCOUNT	CONSOLIDATED BALANCE SHEET CLASSIFICATION UNDER ASC 840
Favorable leases	Intangible assets, net
Deferred rent	Deferred rent
Unfavorable leases	Other long-term liabilities, net
Exit-related lease accruals	Other long-term liabilities, net

In addition, rent payments that were recorded within prepaid assets under ASC 840 are now recorded as a reduction of the current portion of operating lease liabilities.

Recently Issued Financial Accounting Standards Not Yet Adopted - In August 2018, the Financial Accounting Standards Board issued ASU No. 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," ("ASU No. 2018-15"), which clarifies the accounting for implementation costs in cloud computing arrangements. ASU No. 2018-15 is effective for the Company in the first quarter of 2020, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU No. 2018-15 on its consolidated financial statements.

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. These reclassifications had no effect on previously reported net income.

## 2. Revenue Recognition

The following table includes the categories of revenue included in the Company's Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS	
	ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Revenues		
Restaurant sales	\$1,111,642	\$1,099,003
Franchise and other revenues:		
Franchise revenue	\$13,762	\$14,215
Other revenue	2,727	3,247
Total Franchise and other revenues	\$16,489	\$17,462
Total revenues	\$1,128,131	\$1,116,465



Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

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

(dollars in thousands)	THIRTEEN WEEKS ENDED MARCH 31, 2019		THIRTEEN WEEKS ENDED APRIL 1, 2018	
	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.				
Outback Steakhouse	\$586,771	\$ 10,601	\$571,479	\$ 11,074
Carrabba's Italian Grill	173,475	171	173,927	147
Bonefish Grill	156,434	210	156,849	240
Fleming's Prime Steakhouse & Wine Bar	83,026	—	80,990	—
Other	1,107	—	1,099	—
U.S. Total	\$1,000,813	\$ 10,982	\$984,344	\$ 11,461
International				
Outback Steakhouse-Brazil	\$89,565	\$ —	\$95,123	\$ —
Other	21,264	2,780	19,536	2,754
International Total	\$110,829	\$ 2,780	\$114,659	\$ 2,754
Total	\$1,111,642	\$ 13,762	\$1,099,003	\$ 14,215

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)	MARCH 31, 2019	DECEMBER 30, 2018
Other current assets, net		
Deferred gift card sales commissions	\$ 11,195	\$ 16,431
Unearned revenue		
Deferred gift card revenue	\$ 240,923	\$ 333,794
Deferred loyalty revenue	9,288	8,424
Deferred franchise fees - current	492	490
Total Unearned revenue	\$ 250,703	\$ 342,708
Other long-term liabilities, net		
Deferred franchise fees - non-current	\$ 4,702	\$ 4,531

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

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Balance, beginning of period	\$16,431	\$16,231
Deferred gift card sales commissions amortization	(8,407 )	(9,415 )
Deferred gift card sales commissions capitalization	3,833	3,858
Other	(662 )	(635 )



Balance, end of period	\$11,195	\$10,039
------------------------	----------	----------

10

---

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following table is a rollforward of unearned gift card revenue for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Balance, beginning of period	\$333,794	\$323,628
Gift card sales	55,472	56,285
Gift card redemptions	(141,459 )	(144,556 )
Gift card breakage	(6,884 )	(7,574 )
Balance, end of period	\$240,923	\$227,783

## 3. Disposals

Refranchising - During the thirteen weeks ended March 31, 2019, the Company completed the sale of 18 of its existing U.S. Company-owned Carrabba's Italian Grill locations to an existing franchisee (the "Buyer") for aggregate cash proceeds of \$3.6 million, net of certain purchase price adjustments.

The Company remains contingently liable on certain real estate lease agreements assigned to the Buyer. See Note 16 - Commitments and Contingencies for additional details regarding lease guarantees.

Assets Held for Sale - In March 2019, the Company signed a purchase agreement with a buyer to sell five of its U.S. surplus properties to an Outback Steakhouse franchisee for \$12.8 million, less certain purchase price adjustments. These properties were reclassified from Property, fixtures and equipment, net to Assets held for sale during the thirteen weeks ended March 31, 2019. The sale of these properties is expected to be completed during 2019.

## 4. Impairments and Exit Costs

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

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Impairment losses		
U.S.	\$3,464	\$ 111
International	18	2,160
Total impairment losses	\$3,482	\$ 2,271
Restaurant closure expenses		
U.S.	\$87	\$ 348
International	17	120
Total restaurant closure expenses	\$104	\$ 468
Provision for impaired assets and restaurant closings	\$3,586	\$ 2,739

Impairment and closing charges for the periods presented resulted primarily from approved store closure initiatives, locations identified for remodel, relocation or closure and certain other assets.



Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

Accrued Facility Closure and Other Costs Rollforward - The following table summarizes the Company's accrual activity related to facility closure and other costs, associated with certain closure initiatives, for the period indicated:

	THIRTEEN WEEKS ENDED MARCH 31, 2019
(dollars in thousands)	
Balance, beginning of the period	\$ 18,094
Additions (1)	1,288
Cash payments	(1,873 )
Accretion	386
Adjustments	(218 )
Balance, end of the period (2)	\$ 17,677

(1) Includes closure initiative related lease liabilities recognized as a result of the adoption of ASU No. 2016-02.

As of March 31, 2019, the Company had exit-related accruals of \$2.9 million recorded in Accrued and other

(2) current liabilities and \$14.8 million recorded in Non-current operating lease liabilities on the Consolidated Balance Sheet.

## 5. Earnings Per Share

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

	THIRTEEN WEEKS ENDED MARCH 31, 2019	THIRTEEN WEEKS ENDED APRIL 1, 2018
(in thousands, except per share data)		
Net income attributable to Bloomin' Brands	\$64,300	\$65,398
Basic weighted average common shares outstanding	91,415	92,268
Effect of diluted securities:		
Stock options	792	2,950
Nonvested restricted stock units	358	524
Nonvested performance-based share units	96	40
Diluted weighted average common shares outstanding	92,661	95,782
Basic earnings per share	\$0.70	\$0.71
Diluted earnings per share	\$0.69	\$0.68

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
(shares in thousands)	

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

	MARCH 1,	APRIL 1,
	2019	2018
Stock options	3,384	1,950
Nonvested restricted stock units	222	111
Nonvested performance-based share units	260	162

12

---

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 6. Stock-based Compensation Plans

The Company recognized stock-based compensation expense as follows for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 2019	APRIL 1, 2018
Stock options	\$1,159	\$ 1,897
Restricted stock units	1,749	2,332
Performance-based share units	1,003	596
	\$3,911	\$ 4,825

During the thirteen weeks ended March 31, 2019, the Company made grants to its employees of 0.4 million stock options, 0.2 million time-based restricted stock units and 0.1 million performance-based share units. On April 1, 2019, the Company made one-time transition award grants of 0.7 million stock options, 0.2 million time-based restricted stock units and 0.1 million performance-based share units to the Executive Chairman of the Board, Chief Executive Officer ("CEO") and Chief Financial Officer in connection with the appointment of each to their respective positions.

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

Assumptions:	THIRTEEN WEEKS ENDED	
	MARCH 2019	APRIL 1, 2018
Weighted-average risk-free interest rate (1)	2.51 %	2.66 %
Dividend yield (2)	1.89 %	1.50 %
Expected term (3)	5.5 years	5.8 years
Weighted-average volatility (4)	31.87 %	32.76 %
Weighted-average grant date fair value per option	\$5.76	\$ 7.23

(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.

Restricted stock units granted prior to 2019 generally vest over a period of four years and restricted stock units granted in 2019 or later vest over a period of three years, in an equal number of shares each year.

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of March 31, 2019:

	UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	\$ 8,972	2.4
Restricted stock units	\$ 15,816	2.5
Performance-based share units	\$ 8,077	1.7

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 7. Other Current Assets, Net

Other current assets, net, consisted of the following as of the periods indicated:

(dollars in thousands)	MARCH 31, DECEMBER 30,	
	2019	2018
Prepaid expenses	\$ 24,631	\$ 38,117
Accounts receivable - gift cards, net	9,802	91,242
Accounts receivable - vendors, net	9,890	10,029
Accounts receivable - franchisees, net	2,775	1,303
Accounts receivable - other, net	17,231	19,688
Deferred gift card sales commissions	11,195	16,431
Assets held for sale	15,134	5,143
Other current assets, net	3,251	8,895
	\$ 93,909	\$ 190,848

## 8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following as of the periods indicated:

(dollars in thousands)	MARCH 31, DECEMBER 30,	
	2019	2018
Accrued rent and current operating lease liabilities	\$ 172,712	\$ 2,850
Accrued payroll and other compensation	88,887	101,249
Accrued insurance	24,211	22,055
Other current liabilities	92,462	120,499
	\$ 378,272	\$ 246,653

## 9. Long-term Debt, Net

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

(dollars in thousands)	MARCH 31, 2019			DECEMBER 30, 2018		
	OUTSTANDING BALANCE	INTEREST RATE		OUTSTANDING BALANCE	INTEREST RATE	
Senior Secured Credit Facility:						
Term loan A (1)	\$ 468,750	4.21 %		\$ 475,000	4.14 %	
Revolving credit facility (1)	595,400	4.20 %		599,500	4.17 %	
Total Senior Secured Credit Facility	\$ 1,064,150			\$ 1,074,500		
Finance lease liabilities	3,394			—		
Financing obligations	—			19,562	7.58% to 7.82%	
Capital lease obligations	—			3,297		
Other	50	2.18 %		918	0.00% to 2.18%	
Less: unamortized debt discount and issuance costs	(3,284 )			(3,502 )		
Total debt, net	\$ 1,064,310			\$ 1,094,775		
Less: current portion of long-term debt	(26,680 )			(27,190 )		



Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Long-term debt, net	\$ 1,037,630	\$ 1,067,585
---------------------	--------------	--------------

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

Debt Covenants - As of March 31, 2019 and December 30, 2018, the Company was in compliance with its debt covenants.

14

---

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 10. Other Long-term Liabilities, Net

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

(dollars in thousands)	MARCH 31, DECEMBER 30,	
	2019	2018
Accrued insurance liability	\$ 33,929	\$ 33,771
Unfavorable leases (1)	—	32,120
Chef and Restaurant Managing Partner deferred compensation obligations and deposits	56,183	64,766
Other long-term liabilities	50,664	60,876
	\$ 140,776	\$ 191,533

(1) Net of accumulated amortization of \$36.2 million as of December 30, 2018.

## 11. Stockholders' Equity

Share Repurchases - On February 12, 2019, the Company's Board of Directors (the "Board") canceled the remaining \$36.0 million of authorization under the 2018 Share Repurchase Program and approved a new \$150.0 million authorization (the "2019 Share Repurchase Program"). The 2019 Share Repurchase Program will expire on August 12, 2020. As of March 31, 2019, \$150.0 million remained available for repurchase under the 2019 Share Repurchase Program.

Dividends - The Company declared and paid dividends per share during fiscal year 2019 as follows:

	DIVIDENDS PER SHARE	AMOUNT (in thousands)
First fiscal quarter	\$ 0.10	\$ 9,140

In April 2019, the Board declared a quarterly cash dividend of \$0.10 per share, payable on May 24, 2019, to shareholders of record at the close of business on May 13, 2019.

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

(dollars in thousands)	MARCH 31, DECEMBER 30,	
	2019	2018
Foreign currency translation adjustment	\$ (129,302 )	\$ (135,149 )
Unrealized loss on derivatives, net of tax	(12,351 )	(7,606 )
Accumulated other comprehensive loss	\$ (141,653 )	\$ (142,755 )

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

Following are the components of Other comprehensive income attributable to Bloomin' Brands for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Foreign currency translation adjustment, net of tax (1)	\$5,847	\$ 1,367
Unrealized (loss) gain on derivatives, net of tax (2)	\$(4,381)	\$ 888
Reclassification of adjustments for (gain) loss on derivatives included in Net income, net of tax (3)	(364)	308
Total unrealized (loss) gain on derivatives, net of tax	\$(4,745)	\$ 1,196
Other comprehensive income attributable to Bloomin' Brands	\$1,102	\$ 2,563

(1) Foreign currency translation adjustment is net of tax of \$0.1 million for the thirteen weeks ended April 1, 2018.

(2) Unrealized (loss) gain on derivatives is net of tax of (\$1.5) million and \$0.3 million for the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively.

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

## 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 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.

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 Company's swap agreements have been designated and qualify as cash flow hedges, are recognized on its 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 swap agreements, as of the periods indicated:

(dollars in thousands)	MARCH 31, 2019	DECEMBER 30, 2018	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - asset (1)	\$ 237	\$ 765	Other current assets, net
Interest rate swaps - liability	\$ 3,217	\$ 1,393	Accrued and other current liabilities
Interest rate swaps - liability	13,767	9,723	Other long-term liabilities, net

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Total fair value of derivative instruments - liabilities (1)	\$ 16,984	\$ 11,116
--	-----------	-----------

---

(1) See Note 14 - Fair Value Measurements for fair value discussion of the interest rate swaps.

16

---

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

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

	THIRTEEN WEEKS ENDED MARCH 31, 2019 2018	
(dollars in thousands)		
Interest rate swap benefit (expense) recognized in Interest expense, net	\$491	\$ (415 )
Income tax (expense) benefit recognized in Provision for income taxes	(127 )	107
Total effects of the interest rate swaps on Net income	\$364	\$ (308 )

The Company estimates \$3.2 million will be reclassified to interest expense over the next 12 months related to the 2018 Swap Agreements.

By utilizing the interest rate swaps, the Company is exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, the Company enters into derivative contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. As of March 31, 2019, all counterparties to the interest rate swaps had performed in accordance with their contractual obligations.

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if the repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on indebtedness.

As of March 31, 2019 and December 30, 2018, the fair value of the Company's interest rate swaps in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk, was \$16.9 million and \$10.5 million, respectively. As of March 31, 2019 and December 30, 2018, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of March 31, 2019 and December 30, 2018, it could have been required to settle its obligations under the agreements at their termination value of \$16.9 million and \$10.5 million, respectively.

## 13. Leases

The Company's determination of whether an arrangement contains a lease is based on an evaluation of whether the arrangement conveys the right to use and control specific property or equipment. The Company leases restaurant and office facilities and certain equipment under operating leases primarily having initial terms expiring between one and 20 years. Restaurant facility leases generally have renewal periods totaling five to 20 years, exercisable at the option of the Company. Contingent rentals represent payment of variable lease obligations based on a percentage of gross revenues, as defined by the terms of the applicable lease agreement for certain restaurant facility leases. The Company also has certain leases, which reset periodically based on a specified index. Such leases are recorded using the index that existed at lease commencement. Subsequent changes in the index are recorded as variable rental payments. Variable rental payments are expensed as incurred in the Company's Consolidated Statements of Operations and Comprehensive Income and future variable rent obligations are not included within the lease liabilities in the Consolidated Balance Sheet. The depreciable life of lease assets and leasehold improvements are limited by the expected lease term. None of the Company's leases contain any material residual value guarantees or material restrictive covenants.

For leases executed subsequent to the adoption of ASU No. 2016-02, the Company accounts for fixed lease and non-lease components of its restaurant facility leases as a single lease component. Additionally, for certain equipment leases, the Company applies a portfolio approach to account for the lease assets and liabilities. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheet, they are recognized on a straight-line basis over the lease term within Other restaurant operating expense in the Company's Consolidated Statements of Operations and Comprehensive Income.

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The following table includes a detail of lease assets and liabilities included on the Company's Consolidated Balance Sheet as of the period indicated:

(dollars in thousands)	CONSOLIDATED BALANCE SHEET CLASSIFICATION	MARCH 31, 2019
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 1,276,311
Finance lease right-of-use assets (1)	Property, fixtures and equipment, net	3,095
Total lease assets, net		\$ 1,279,406
Current operating lease liabilities (2)	Accrued and other current liabilities	\$ 170,039
Current finance lease liabilities	Current portion of long-term debt	1,630
Non-current operating lease liabilities	Non-current operating lease liabilities	1,285,073
Non-current finance lease liabilities	Long-term debt, net	1,764
		\$ 1,458,506

(1) Net of accumulated amortization of \$0.3 million.

(2) Excludes accrued contingent percentage rent.

Following is a summary of expenses and income related to leases recognized in the Company's Consolidated Statement of Operations and Comprehensive Income for the periods indicated:

(dollars in thousands)	CONSOLIDATED INCOME STATEMENT CLASSIFICATION	THIRTEEN WEEKS ENDED MARCH 31, 2019
Operating leases (1)	Other restaurant operating	\$ 45,233
Variable lease cost	Other restaurant operating	819
Finance leases		
Amortization of leased assets	Depreciation and amortization	324
Interest on lease liabilities	Interest expense, net	73
Sublease revenue (2)	Franchise and other revenues	(1,314 )
Lease costs, net (3)		\$ 45,135

Excludes rent expense for office facilities and Company-owned closed or subleased properties of \$3.6 million, (1) which is included in General and administrative expense and certain supply chain related rent expense of \$0.3 million, which is included in Cost of sales.

(2) Excludes rental income from Company-owned properties of \$0.7 million.

(3) During the thirteen weeks ended April 1, 2018, the Company recorded rent expense of \$47.2 million, including \$1.3 million of variable rent expense, and \$1.6 million of sublease revenue.

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

As of March 31, 2019, future minimum lease payments and sublease revenues under non-cancelable leases are as follows:

(dollars in thousands)	OPERATING FINANCE SUBLEASE		
	LEASES	LEASES	REVENUES
Year 1 (1)	\$ 177,405	\$ 1,699	\$ (5,936 )
Year 2	190,733	1,301	(6,028 )
Year 3	186,753	730	(6,012 )
Year 4	182,697	39	(5,956 )
Year 5	177,735	—	(5,945 )
Thereafter	1,774,940	—	(67,921 )
Total minimum lease payments (receipts) (2)	\$ 2,690,263	\$ 3,769	\$ (97,798 )
Less: Interest	(1,235,151 )	(375 )	
Present value of future lease payments (receipts)	\$ 1,455,112	\$ 3,394	

(1) Net of operating lease prepaid rent of \$14.6 million.

(2) Includes \$1.0 billion related to options to extend operating lease terms and excludes \$96.3 million of signed operating leases that have not yet commenced.

The following table is a summary of the weighted-average remaining lease terms and weighted-average discount rates of the Company's leases as of the period indicated:

	MARCH 31, 2019	
Weighted-average remaining lease term:		
Operating leases	14.7	years
Finance leases	2.4	years
Weighted-average discount rate (1):		
Operating leases	8.61	%
Finance leases	9.21	%

(1) Based on the Company's incremental borrowing rate at lease commencement.

The following table is a summary of other impacts to the Company's Consolidated Financial Statements related to its leases for the period indicated:

	THIRTEEN WEEKS ENDED MARCH 31, 2019
(dollars in thousands)	
Cash flows from operating activities:	
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 47,649

Properties Leased to Third Parties - The Company leases certain land and buildings to third parties, generally related to closed or refranchised restaurants. The following table is a summary of assets leased to third parties included in Property, fixtures and equipment, net as of the period indicated:

(dollars in thousands)



Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

MARCH 31,  
2019

Land	\$ 15,247
Buildings and building improvements	\$ 23,120
Less: accumulated depreciation	(10,080 )
Buildings and building improvements, net	\$ 13,040

19

---

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

## 14. 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)	MARCH 31, 2019			DECEMBER 30, 2018		
	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2
<b>Assets:</b>						
Cash equivalents:						
Fixed income funds	\$407	\$407	\$—	\$627	\$627	\$—
Money market funds	16,661	16,661	—	17,827	17,827	—
Other current assets, net:						
Derivative instruments - interest rate swaps	237	—	237	765	—	765
Total asset recurring fair value measurements	\$17,305	\$17,068	\$237	\$19,219	\$18,454	\$765
<b>Liabilities:</b>						
Accrued and other current liabilities:						
Derivative instruments - interest rate swaps	\$3,217	\$—	\$3,217	\$1,393	\$—	\$1,393
Other long-term liabilities:						
Derivative instruments - interest rate swaps	13,767	—	13,767	9,723	—	9,723
Total liability recurring fair value measurements	\$16,984	\$—	\$16,984	\$11,116	\$—	\$11,116

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

FINANCIAL INSTRUMENT	METHODS AND ASSUMPTIONS
----------------------	-------------------------

Fixed income funds and Money market funds	Carrying value approximates fair value because maturities are less than three months.
---	---

Derivative instruments	The Company's derivative instruments include interest rate swaps. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The Company also considers its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. As of March 31, 2019 and December 30, 2018, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.
------------------------	--



Table of Contents

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, operating lease right-of-use assets, 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:

	THIRTEEN WEEKS ENDED MARCH 31, 2019		THIRTEEN WEEKS ENDED APRIL 1, 2018	
	CARRYING VALUE	FAIR IMPAIRMENT	CARRYING VALUE	FAIR IMPAIRMENT
(dollars in thousands)				
Assets held for sale (1)	\$2,149	\$ 215	\$50	\$ 50
Operating lease right-of-use assets (2)	2,242	596	—	—
Property, fixtures and equipment (2)	490	2,671	320	2,221
	\$4,881	\$ 3,482	\$370	\$ 2,271

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

Carrying value approximates fair value. Carrying values for Operating lease right-of-use assets and Property, fixtures and equipment measured using Level 3 inputs to estimate fair value totaled \$2.0 million and \$0.5 million, (2) respectively, during the thirteen weeks ended March 31, 2019. Level 2 inputs were used to estimate the fair value for all other assets measured in the periods presented. Third-party market appraisals (Level 2) and discounted cash flow models (Level 3) were used to estimate fair value.

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

	MARCH 31, 2019		DECEMBER 30, 2018	
	CARRYING VALUE	FAIR VALUE LEVEL 2	CARRYING VALUE	FAIR VALUE LEVEL 2
(dollars in thousands)				
Senior Secured Credit Facility:				
Term loan A	\$468,750	\$466,406	\$475,000	\$464,906
Revolving credit facility	\$595,400	\$589,446	\$599,500	\$590,508

## 15. Income Taxes

THIRTEEN  
WEEKS  
ENDED

MAR ~~APRIL~~,  
2019 2018

Effective income tax rate 7.7% 2.8%

The effective income tax rate for the thirteen weeks ended March 31, 2019 increased by 4.9 percentage points as compared to the thirteen weeks ended April 1, 2018. The increase was primarily due to favorable discrete items recorded in the thirteen weeks ended April 1, 2018 which included excess tax benefits from equity-based compensation arrangements. The increase was partially offset by changes in the mix of taxable income across the Company's U.S. and international subsidiaries and a decrease in the estimated annual effective tax rate due to additional guidance issued in connection with the 2017 Tax Cuts and Jobs Act (the "Tax Act").

Table of Contents

BLOOMIN' BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) - Continued

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen weeks ended March 31, 2019 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips.

## 16. Commitments and Contingencies

Litigation and Other Matters - The Company had \$2.4 million and \$2.8 million of liabilities recorded for various legal matters as of March 31, 2019 and December 30, 2018, 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.

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 March 31, 2019, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately \$34.2 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of March 31, 2019 was approximately \$26.7 million. In the event of default, the indemnity clauses in the Company's purchase and sale agreements govern its ability to pursue and recover damages incurred. The Company believes the financial strength and operating history of the lessees' significantly reduces the risk that it will be required to make payments under these leases. Accordingly, no liability has been recorded.

## 17. Segment Reporting

The Company considers 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 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 restaurants operating in the U.S. while restaurants 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	United States of America
	Carrabba's Italian Grill	
	Bonefish Grill	
	Fleming's Prime Steakhouse & Wine Bar	
International	Outback Steakhouse	Brazil, Hong Kong/China
	Carrabba's Italian Grill (Abbraccio)	Brazil

(1) Includes franchise locations.

Segment accounting policies are the same as those described in Note 2 - Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 30, 2018. 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, most stock-based compensation expenses and certain bonus expenses.

Table of Contents

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

The following table is a summary of Total revenue by segment, for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31,	APRIL 1,
	2019	2018
Total revenues		
U.S.	\$ 1,014,507	\$ 998,707
International	113,624	117,758
Total revenues	\$ 1,128,131	\$ 1,116,465

The following table is a reconciliation of Segment income from operations to Income before provision for income taxes, for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31,	APRIL 1,
	2019	2018
Segment income from operations		
U.S.	\$ 113,035	\$ 109,134
International	13,720	8,325
Total segment income from operations	126,755	117,459
Unallocated corporate operating expense	(44,261 )	(39,088 )
Total income from operations	82,494	78,371
Other (expense) income, net	(168 )	1
Interest expense, net	(11,181 )	(10,310 )
Income before provision for income taxes	\$ 71,145	\$ 68,062

The following table is a summary of Depreciation and amortization expense by segment for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31,	APRIL 1,
	2019	2018
Depreciation and amortization		
U.S.	\$ 38,786	\$ 39,274
International	6,456	6,732
Corporate	4,240	4,114
Total depreciation and amortization	\$ 49,482	\$ 50,120

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 operating lease right-of-use assets, goodwill, intangible assets and deferred tax assets, by major geographic area as of the periods indicated:

(dollars in thousands)	MARCH 31, DECEMBER 30,	
	2019	2018
U.S.	\$ 1,059,814	\$ 1,107,679
International		
Brazil	126,084	115,560



Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Other	13,220	13,663
Total assets	\$ 1,199,118	\$ 1,236,902

23

---

Table of Contents

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) 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;

(vi) Fluctuations in the price and availability of commodities;

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;

24

---

Table of Contents

BLOOMIN' BRANDS, INC.

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

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

(ix) Our ability to implement our remodeling, relocation and expansion plans due to uncertainty in locating and acquiring attractive sites on acceptable terms, obtaining required permits and approvals, recruiting and training necessary personnel, obtaining adequate financing and estimating the performance of newly opened, remodeled or relocated restaurants;

(x) The effects of international economic, political and social conditions and legal systems on our foreign operations and on foreign currency exchange rates;

(xi) Our ability to preserve and grow the reputation and value of our brands, particularly in light of changes in consumer engagement with social media platforms;

(xii) Any impairment in the carrying value of our goodwill or other intangible or long-lived assets and its effect on our financial condition and results of operations;

(xiii) Strategic actions, including acquisitions and dispositions, and our success in implementing these initiatives or integrating any acquired or newly created businesses;

(xiv) Seasonal and periodic fluctuations in our results and the effects of significant adverse weather conditions and other disasters or unforeseen events;

(xv) The effects of our substantial leverage and restrictive covenants in our various credit facilities on our ability to raise additional capital to fund our operations, to make capital expenditures to invest in new or renovate restaurants and to react to changes in the economy or our industry, and our exposure to interest rate risk in connection with our variable-rate debt;

(xvi) The adequacy of our cash flow and earnings and other conditions which may affect our ability to pay dividends and repurchase shares of our common stock; and

(xvii) Such other factors as discussed in Part I, Item IA. Risk Factors of our Annual Report on Form 10-K for the year ended December 30, 2018.

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.

Table of Contents

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 March 31, 2019, we owned and operated 1,174 restaurants and franchised 307 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 March 31, 2019 ("first quarter of 2019") include the following:

An increase in Total revenues of 1.0% in the first quarter of 2019, as compared to the first quarter of 2018, was primarily due to higher U.S. comparable restaurant sales and the net impact of restaurant openings and closures, partially offset by foreign currency translation.

Income from operations of \$82.5 million in the first quarter of 2019, as compared to \$78.4 million in the first quarter of 2018, increased primarily due to higher U.S. comparable restaurant sales and the impact of certain cost savings initiatives. These increases were partially offset by labor and commodity inflation, and the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

Refranchising - During the thirteen weeks ended March 31, 2019, we completed the sale of 18 of our existing U.S. Company-owned Carrabba's Italian Grill locations to an existing franchisee for aggregate cash proceeds of \$3.6 million, net of certain purchase price adjustments. See Note 3 - Disposals of our Notes to Consolidated Financial Statements for additional details.

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.

Table of Contents

BLOOMIN' BRANDS, INC.

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

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 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-level 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.

Table of Contents

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):	MARCH 31, 2019	APRIL 1, 2018
U.S.		
Outback Steakhouse		
Company-owned	579	584
Franchised	153	154
Total	732	738
Carrabba's Italian Grill		
Company-owned (1)	205	224
Franchised (1)	21	3
Total	226	227
Bonefish Grill		
Company-owned	189	193
Franchised	7	7
Total	196	200
Fleming's Prime Steakhouse & Wine Bar		
Company-owned	70	70
Other		
Company-owned	2	4
U.S. Total	1,226	1,239
International		
Company-owned		
Outback Steakhouse - Brazil (2)	95	89
Other	34	36
Franchised		
Outback Steakhouse - South Korea	72	76
Other	54	54
International Total	255	255
System-wide total	1,481	1,494

(1) In March 2019, we sold 18 Carrabba's Italian Grill locations, which are now operated as franchises.

(2) The restaurant counts for Brazil are reported as of February 28, 2019 and 2018, respectively, to correspond with the balance sheet dates of this subsidiary.

Table of Contents

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			
	MARCH 2019		APRIL 1, 2018	
Revenues				
Restaurant sales	98.5	%	98.4	%
Franchise and other revenues	1.5		1.6	
Total revenues	100.0		100.0	
Costs and expenses				
Cost of sales (1)	31.7		32.0	
Labor and other related (1)	28.7		28.3	
Other restaurant operating (1)	22.6		23.1	
Depreciation and amortization	4.4		4.5	
General and administrative	6.3		6.2	
Provision for impaired assets and restaurant closings	0.3		0.2	
Total costs and expenses	92.7		93.0	
Income from operations	7.3		7.0	
Other (expense) income, net	(*)		*	
Interest expense, net	(1.0	)	(0.9	)
Income before provision for income taxes	6.3		6.1	
Provision for income taxes	0.5		0.2	
Net income	5.8		5.9	
Less: net income attributable to noncontrolling interests	0.1		0.1	
Net income attributable to Bloomin' Brands	5.7	%	5.8	%

(1) As a percentage of Restaurant sales.

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

## RESTAURANT SALES

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

(dollars in millions)	THIRTEEN WEEKS ENDED	
For the period ended April 1, 2018	\$ 1,099.0	
Change from:		
Comparable restaurant sales	26.5	
Restaurant openings	13.1	
Effect of foreign currency translation	(16.2	)
Restaurant closings	(10.3	)
Divestiture of restaurants through refranchising transactions	(0.5	)



Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

For the period ended March 31, 2019

\$ 1,111.6

The increase in Restaurant sales in the thirteen weeks ended March 31, 2019 was primarily due to higher U.S. comparable restaurant sales and the opening of 28 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 27 restaurants since December 31, 2017.

29

---

Table of Contents

BLOOMIN' BRANDS, INC.

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

## 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	
	MARCH 31, 2019	APRIL 1, 2018
Average restaurant unit volumes (weekly):		
U.S.		
Outback Steakhouse	\$77,198	\$74,439
Carrabba's Italian Grill	\$59,940	\$59,479
Bonefish Grill	\$63,654	\$62,193
Fleming's Prime Steakhouse & Wine Bar	\$91,238	\$90,190
International		
Outback Steakhouse - Brazil (1)	\$74,878	\$84,694
Operating weeks:		
U.S.		
Outback Steakhouse	7,527	7,594
Carrabba's Italian Grill	2,894	2,924
Bonefish Grill	2,458	2,522
Fleming's Prime Steakhouse & Wine Bar	910	898
International		
Outback Steakhouse - Brazil	1,196	1,123

(1) Translated at average exchange rates of 3.79 and 3.25 for the thirteen weeks ended March 31, 2019 and April 1, 2018, respectively.

Table of Contents

BLOOMIN' BRANDS, INC.

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

Comparable Restaurant Sales, Traffic and Average Check Per Person Increases (Decreases)

Following is a summary of comparable restaurant sales, traffic and average check per person increases (decreases), for the periods indicated:

	THIRTEEN WEEKS ENDED MARCH/APRIL 1, 2019 2018			
Year over year percentage change:				
Comparable restaurant sales (stores open 18 months or more) (1):				
U.S.				
Outback Steakhouse	3.5	%	4.3	%
Carrabba's Italian Grill	0.3	%	0.9	%
Bonefish Grill	1.9	%	(0.1)	%
Fleming's Prime Steakhouse & Wine Bar	0.6	%	2.9	%
Combined U.S.	2.4	%	2.8	%
International				
Outback Steakhouse - Brazil (2)	3.7	%	1.1	%
Traffic:				
U.S.				
Outback Steakhouse	(0.5)	%	2.2	%
Carrabba's Italian Grill	(1.3)	%	(5.6)	%
Bonefish Grill	(1.9)	%	(2.4)	%
Fleming's Prime Steakhouse & Wine Bar	(1.6)	%	(2.4)	%
Combined U.S.	(0.9)	%	(0.2)	%
International				
Outback Steakhouse - Brazil	(2.4)	%	(1.6)	%
Average check per person (3):				
U.S.				
Outback Steakhouse	4.0	%	2.1	%
Carrabba's Italian Grill	1.6	%	6.5	%
Bonefish Grill	3.8	%	2.3	%
Fleming's Prime Steakhouse & Wine Bar	2.2	%	5.3	%
Combined U.S.	3.3	%	3.0	%
International				
Outback Steakhouse - Brazil	6.5	%	3.0	%

Comparable restaurant sales exclude the effect of fluctuations in foreign currency rates. Relocated international (1) 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.

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

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



Table of Contents

BLOOMIN' BRANDS, INC.

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

## Franchise and other revenues

	THIRTEEN WEEKS ENDED MARCH 31, 2019		APRIL 1, 2018
(dollars in millions)			
Franchise revenues (1)	\$13.8	\$	14.2
Other revenues	2.7	3.3	
Franchise and other revenues	\$16.5	\$	17.5

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

## COSTS AND EXPENSES

## Cost of sales

	THIRTEEN WEEKS ENDED MARCH 31, 2019			APRIL 1, 2018	Change
(dollars in millions)					
Cost of sales	\$352.1	\$	352.1		
% of Restaurant sales	31.7	%	32.0	%	(0.3)%

Cost of sales decreased as a percentage of Restaurant sales in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018 primarily due to 0.7% for increases in average check per person and 0.3% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.6% for commodity cost inflation.

## Labor and other related expenses

	THIRTEEN WEEKS ENDED MARCH 31, 2019			APRIL 1, 2018	Change
(dollars in millions)					
Labor and other related	\$319.0	\$	311.1		
% of Restaurant sales	28.7	%	28.3	%	0.4%

Labor and other related expenses increased as a percentage of Restaurant sales in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018 primarily due to 1.0% from higher labor costs due to wage rate increases and investments in our service model, partially offset by a decrease as a percentage of Restaurant sales of 0.6% from increases in average check per person.

## Other restaurant operating expenses

	THIRTEEN WEEKS ENDED		Change
(dollars in millions)			

	MARCH 31,	APRIL 1,
	2019	2018
Other restaurant operating	\$250.9	\$253.3
% of Restaurant sales	22.6 %	23.1 % (0.5 )%

Other restaurant operating expenses decreased as a percentage of Restaurant sales in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018 primarily due to 0.5% from increases in average check per person and 0.3% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.3% from the impact of deferred gains on sale-leaseback transactions no longer recognize in 2019 as a result of the adoption of the new lease accounting standard.

Table of Contents

BLOOMIN' BRANDS, INC.

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

## 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 period indicated below:

(dollars in millions)	THIRTEEN WEEKS ENDED
For the period ended April 1, 2018	\$ 68.7
Change from:	
Severance	3.0
Foreign currency exchange	(1.1 )
For the period ended March 31, 2019	\$ 70.6

## Provision for impaired assets and restaurant closings

(dollars in millions)	THIRTEEN WEEKS ENDED	MARCH 2019	APRIL 1, 2018	Change
Provision for impaired assets and restaurant closings	\$ 3.6	\$ 2.7	\$ 0.9	

Impairment and closing charges for the periods presented resulted primarily from approved store closure initiatives, locations identified for remodel, relocation or closure and certain other assets.

## Income from operations

(dollars in millions)	THIRTEEN WEEKS ENDED	MARCH 2019	APRIL 1, 2018	Change
Income from operations	\$82.5	\$ 78.4	\$ 4.1	
% of Total revenues	7.3 %	7.0 %	0.3 %	

The increase in income from operations generated in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018 was primarily due to higher U.S. comparable restaurant sales and the impact of certain cost savings initiatives. These increases were partially offset by labor and commodity expense inflation and the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

## Interest expense, net

(dollars in millions)	THIRTEEN WEEKS ENDED	MARCH 2019	APRIL 1, 2018	Change
Interest expense, net	\$11.2	\$ 10.3	\$ 0.9	

The increase in Interest expense, net for the thirteen weeks ended March 31, 2019 is primarily due to higher interest rates, partially offset by lower interest expense from our derivative instruments and the derecognition of certain debt obligations due to adoption of ASU No. 2016-02.



Table of Contents

BLOOMIN' BRANDS, INC.

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

Provision for income taxes

	THIRTEEN		
	WEEKS		
	ENDED		
	MARCH 31,	APRIL 1,	Change
	2019	2018	

Effective income tax rate	7.7 %	2.8 %	4.9 %
---------------------------	-------	-------	-------

The effective income tax rate for the thirteen weeks ended March 31, 2019 increased by 4.9 percentage points as compared to the thirteen weeks ended April 1, 2018. The increase was primarily due to favorable discrete items recorded in the thirteen weeks ended April 1, 2018, which included excess tax benefits from equity-based compensation arrangements. The increase was partially offset by changes in the mix of taxable income across our U.S. and international subsidiaries and a decrease in the estimated annual effective tax rate due to additional guidance issued in connection with the Tax Act.

## SEGMENT PERFORMANCE

We consider 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 restaurants operating in the U.S. while restaurants 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	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.

Refer to Note 17 - 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.



Table of Contents

## BLOOMIN' BRANDS, INC.

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

## U.S. Segment

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Revenues		
Restaurant sales	\$1,000,813	\$984,344
Franchise and other revenues	13,694	14,363
Total revenues	\$1,014,507	\$998,707
Restaurant-level operating margin	16.7	% 16.3
Income from operations	\$113,035	\$109,134
Operating income margin	11.1	% 10.9

## Restaurant sales

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

(dollars in millions)	THIRTEEN WEEKS ENDED
For the period ended April 1, 2018	\$ 984.3
Change from:	
Comparable restaurant sales	21.9
Restaurant openings	2.6
Restaurant closings	(7.5 )
Divestiture of restaurants through refranchising transactions	(0.5 )
For the period ended March 31, 2019	\$ 1,000.8

The increase in U.S. Restaurant sales in the thirteen weeks ended March 31, 2019 was primarily due to higher comparable restaurant sales and the opening of seven new restaurants not included in our comparable restaurant sales base. The increase in restaurant sales was partially offset the closing of 17 restaurants since December 31, 2017.

## Income from operations

The increase in U.S. income from operations generated in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018, was primarily due to higher comparable restaurant sales and the impact of certain cost savings initiatives. These increases were partially offset by labor and commodity inflation, and the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

## International Segment

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Revenues		
Restaurant sales	\$110,829	\$114,659

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Franchise and other revenues	2,795	3,099		
Total revenues	\$113,624	\$117,758		
Restaurant-level operating margin	22.3	%	19.4	%
Income from operations	\$13,720	\$8,325		
Operating income margin	12.1	%	7.1	%

35

---

Table of Contents

BLOOMIN' BRANDS, INC.

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

## Restaurant sales

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

(dollars in millions)	THIRTEEN WEEKS ENDED
For the period ended April 1, 2018	\$ 114.7
Change from:	
Effect of foreign currency translation	(16.2 )
Restaurant closings	(2.8 )
Restaurant openings	10.5
Comparable restaurant sales	4.6
For the period ended March 31, 2019	\$ 110.8

The decrease in Restaurant sales in the thirteen weeks ended March 31, 2019 was primarily due to the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar and the closing of 10 restaurants since December 31, 2017, partially offset by the opening of 21 new restaurants not included in our comparable restaurant sales base and higher comparable restaurant sales.

## Income from operations

The increase in International income from operations in the thirteen weeks ended March 31, 2019 as compared to the thirteen weeks ended April 1, 2018 was primarily due to an increase in comparable restaurant sales and lower impairment and restaurant closing costs. These increases were partially offset by commodity and labor expense inflation.

Table of Contents

BLOOMIN' BRANDS, INC.

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

## 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	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
(dollars in millions)		
U.S.		
Outback Steakhouse	\$ 138	\$ 140
Carrabba's Italian Grill	3	3
Bonefish Grill	4	4
U.S. Total	\$ 145	\$ 147
International		
Outback Steakhouse-South Korea	\$ 57	\$ 53
Other	27	28
International Total	\$ 84	\$ 81
Total franchise sales (1)	\$ 229	\$ 228

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

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					
	MARCH 31, 2019			APRIL 1, 2018		
	U.S. GAAP	ADJUSTED	%	U.S. GAAP	ADJUSTED (1)	%
Restaurant sales	100.0%	100.0	%	100.0%	100.0	%
Cost of sales	31.7	% 31.7	%	32.0	% 32.0	%
Labor and other related	28.7	% 28.7	%	28.3	% 28.3	%
Other restaurant operating	22.6	% 22.6	%	23.1	% 23.1	%
Restaurant-level operating margin	17.1	% 17.1	%	16.6	% 16.5	%

---

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

	THIRTEEN
	WEEKS
	ENDED
(dollars in millions)	APRIL 1,
	2018
Restaurant and asset impairments and closing costs	\$ 0.8
Restaurant relocations and related costs	0.2
	\$ 1.0

Table of Contents

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

THIRTEEN WEEKS

ENDED

MARCH 31, APRIL 1,

(in thousands, except per share data)

2019 2018

Income from operations	\$82,494	\$78,371		
Operating income margin	7.3	%	7.0	%
Adjustments:				
Severance (1)	\$2,855	\$965		
Restaurant and asset impairments and closing costs (2)	2,131	1,295		
Restaurant relocations and related costs (3)	1,032	1,725		
Legal and contingent matters	—	470		
Total income from operations adjustments	\$6,018	\$4,455		
Adjusted income from operations	\$88,512	\$82,826		
Adjusted operating income margin	7.8	%	7.4	%
Net income attributable to Bloomin' Brands	\$64,300	\$65,398		
Adjustments:				
Income from operations adjustments	6,018	4,455		
Total adjustments, before income taxes	6,018	4,455		
Adjustment to provision for income taxes (4)	(819 )	(1,681 )		
Net adjustments	5,199	2,774		
Adjusted net income	\$69,499	\$68,172		
Diluted earnings per share	\$0.69	\$0.68		
Adjusted diluted earnings per share	\$0.75	\$0.71		
Diluted weighted average common shares outstanding	92,661	95,782		

(1) Relates to severance expense incurred as a result of restructuring activities.

(2) Represents asset impairment charges and related costs primarily associated with approved closure initiatives.

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

(4) Represents income tax effect of the adjustments for the periods presented.

## 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, principal and interest payments on our debt, remodeling or relocating older restaurants, obligations related to our deferred compensation plans and investments in technology.



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 following this filing and beyond. 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 March 31, 2019, we had \$82.8 million in cash and cash equivalents, of which \$26.3 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.

Table of Contents

BLOOMIN' BRANDS, INC.

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

As of March 31, 2019, we had aggregate accumulated foreign earnings of approximately \$94.4 million. This amount consisted primarily of historical earnings from 2017 and prior that were previously taxed in the U.S. under the Tax Act and post-2017 foreign earnings, which we may repatriate to the U.S. without additional U.S. federal income tax. These amounts are no longer considered indefinitely reinvested in our foreign subsidiaries.

Closure Initiatives - Total aggregate future undiscounted cash expenditures of \$13.6 million to \$16.6 million for certain closure initiatives, 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 \$175.0 million to \$200.0 million in 2019. 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 March 31, 2019, 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 during the period indicated:

(dollars in thousands)	SENIOR SECURED CREDIT FACILITY		TOTAL CREDIT FACILITIES
	TERM LOAN A	REVOLVING FACILITY	
Balance as of December 30, 2018	\$475,000	\$ 599,500	\$ 1,074,500
2019 new debt	—	148,200	148,200
2019 payments	(6,250 )	(152,300 )	(158,550 )
Balance as of March 31, 2019	\$468,750	\$ 595,400	\$ 1,064,150
Weighted-average interest rate, as of March 31, 2019	4.21	% 4.20	%
Principal maturity date	November 2022	November 2022	

Credit Agreement - As of March 31, 2019, we had \$382.6 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of \$22.0 million.

Our Credit Agreement contains term loan mandatory prepayment requirements of 50% of our annual excess cash flow, as defined in the Credit Agreement. The amount outstanding required to be prepaid may vary based on our leverage ratio and year end results. Other than the annual required minimum amortization premiums of \$25.0 million, we do not anticipate any other payments will be required through March 29, 2020.

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 13 - Long-term Debt, Net in our Annual Report on Form 10-K for the year ended December 30, 2018 for further information.

As of March 31, 2019 and December 30, 2018, 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 and beyond.

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.

Table of Contents

BLOOMIN' BRANDS, INC.

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

In 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:

(dollars in thousands)	THIRTEEN WEEKS ENDED	
	MARCH 31, 2019	APRIL 1, 2018
Net cash provided by operating activities	\$83,883	\$51,535
Net cash used in investing activities	(42,020 )	(46,210 )
Net cash used in financing activities	(31,379 )	(29,082 )
Effect of exchange rate changes on cash and cash equivalents	459	54
Net increase (decrease) in cash, cash equivalents and restricted cash	\$10,943	\$(23,703)

Operating activities - Net cash provided by operating activities increased during the thirteen weeks ended March 31, 2019, as compared to the thirteen weeks ended April 1, 2018 primarily due to the timing of collections of receivables and the timing of payments, partially offset by higher interest and income tax payments.

Investing activities - Net cash used in investing activities for the thirteen weeks ended March 31, 2019 and April 1, 2018 primarily consisted of capital expenditures.

Financing activities - Net cash used in financing activities for the thirteen weeks ended March 31, 2019 was primarily due to the following: (i) payment of cash dividends on our common stock, (ii) the repayment of long-term debt, (iii) repayments of partner deposits and accrued partner obligations, (iv) repayments of our revolving credit facility, net of drawdowns and (v) tax payments related to share-based compensation.

Net cash used in financing activities for the thirteen weeks ended April 1, 2018 was primarily due to the following: (i) the repurchase of common stock, (ii) payment of cash dividends on our common stock, (iii) 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 the exercise of stock options.

## FINANCIAL CONDITION

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

(dollars in thousands)	MARCH 31, 2019	DECEMBER 30, 2018
------------------------	-------------------	----------------------

Edgar Filing: Bloomin' Brands, Inc. - Form 10-Q

Current assets	\$ 249,824	\$ 335,483
Current liabilities	821,975	791,039
Working capital (deficit) (1)	\$ (572,151 )	\$ (455,556 )

(1) The change in net working capital (deficit) during the thirteen weeks ended March 31, 2019 is primarily due to current lease liabilities recognized as a result of the adoption of ASU No. 2016-02.

Table of Contents

## BLOOMIN' BRANDS, INC.

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

Working capital (deficit) includes: (i) Unearned revenue primarily from unredeemed gift cards of \$250.7 million and \$342.7 million as of March 31, 2019 and December 30, 2018, respectively, and (ii) current operating lease liabilities of \$170.0 million as of March 31, 2019, with the corresponding operating right-of-use assets recorded as non-current on the Company's Balance Sheet. 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 \$61.2 million and \$69.6 million as of March 31, 2019 and December 30, 2018, 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 \$16.3 million as of March 31, 2019.

We use capital to fund the deferred compensation plans and currently expect cash funding of \$14.0 million to \$16.0 million for 2019. 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.

Other Compensation Programs - Certain U.S. Partners participate in a non-qualified long-term compensation program that we fund as the obligation for each participant becomes due.

## DIVIDENDS AND SHARE REPURCHASES

Dividends - In April 2019, the Board declared a quarterly cash dividend of \$0.10 per share, payable on May 24, 2019. 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 12, 2019, our Board canceled the remaining \$36.0 million of authorization under the 2018 Share Repurchase Program and approved a new \$150.0 million authorization. The 2019 Share Repurchase Program will expire on August 12, 2020. As of March 31, 2019, we had \$150.0 million remaining available for repurchase under the 2019 Share Repurchase Program.

Following is a summary of our dividends and share repurchases from fiscal year 2015 through March 31, 2019:

(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
Fiscal year 2018	33,312	113,967	147,279
First fiscal quarter 2019	9,140	—	9,140
Total	\$ 134,151	\$ 866,589	\$ 1,000,740

---

(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.

Table of Contents

BLOOMIN' BRANDS, INC.

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

Recently Issued Financial Accounting Standards

For a description of recently issued Financial Accounting Standards that we adopted during the thirteen weeks ended March 31, 2019 and, that are applicable to us and likely to have material effect on our consolidated financial statements, but have not yet been adopted, 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.

42

---



Table of Contents

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 30, 2018, 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 30, 2018 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 thirteen weeks ended March 31, 2019, 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 \$12.3 million and \$1.0 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 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 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 Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Control over Financial Reporting

As a part of implementation of the new lease standard on December 31, 2018, we assessed and modified our internal controls over financial reporting. There have been no other changes in our internal control over financial reporting during the thirteen weeks ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

BLOOMIN' BRANDS, INC.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 16 - 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 2018 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 2018 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 first quarter of 2019 that were not registered under the Securities Act of 1933.

On February 12, 2019, the Board of Directors authorized the repurchase of \$150.0 million of our outstanding common stock as announced in our press release issued on February 14, 2019 (the "2019 Share Repurchase Program"). The 2019 Share Repurchase Program will expire on August 12, 2020. We did not repurchase any shares of our outstanding common stock during the thirteen weeks ended March 31, 2019.

Table of Contents

BLOOMIN' BRANDS, INC.

## Item 6. Exhibits

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS	FILINGS REFERENCED FOR INCORPORATION BY REFERENCE
10.1*	<u>Employment Offer Letter Agreement, dated as of January 15, 2019, between Bloomin' Brands, Inc. and Jeff Carcara</u>	Filed herewith
10.2*	<u>Second Amended and Restated Employment Agreement, effective April 1, 2019, by and between Elizabeth A. Smith and Bloomin' Brands, Inc.</u>	Filed herewith
10.3*	<u>Amended and Restated Officer Employment Agreement, effective April 1, 2019, by and between David J. Deno and Bloomin' Brands, Inc.</u>	Filed herewith
10.4*	<u>Employment Offer Letter Agreement, dated as of March 7, 2019, between Bloomin' Brands, Inc. and Christopher Meyer</u>	Filed herewith
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 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 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

\* Management contract or compensatory plan or arrangement required to be filed as an exhibit

(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.

Table of Contents

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: May 3, 2019 BLOOMIN' BRANDS, INC.  
(Registrant)

By: /s/ Christopher Meyer  
Christopher Meyer  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

[Remainder of page intentionally left blank]