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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 27, 2020

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, FL 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 ☒ No ☐

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 ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
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 October 27, 2020, 87,574,515 shares of common stock of the registrant were outstanding.

BLOOMIN' BRANDS, INC.

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended September 27, 2020
(Unaudited)

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BLOOMIN' BRANDS, INC.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)

	SEPTEMBER 27, 2020	DECEMBER 29, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 160,032	$ 67,145
Restricted cash and cash equivalents	2,482	—
Inventories	58,844	86,861
Other current assets, net	76,837	186,462
Total current assets	298,195	340,468
Property, fixtures and equipment, net	900,883	1,036,077
Operating lease right-of-use assets	1,192,035	1,266,548
Goodwill	269,738	288,439
Intangible assets, net	461,041	470,615
Deferred income tax assets, net	146,707	73,426
Other assets, net	98,999	117,110
Total assets	$ 3,367,598	$ 3,592,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 116,323	$ 174,877
Accrued and other current liabilities	406,926	391,451
Unearned revenue	280,124	369,282
Current portion of long-term debt	35,600	26,411
Total current liabilities	838,973	962,021
Non-current operating lease liabilities	1,230,008	1,279,051
Deferred income tax liabilities, net	—	13,777
Long-term debt, net	1,112,290	1,022,293
Other long-term liabilities, net	173,772	138,060
Total liabilities	3,355,043	3,415,202
Commitments and contingencies (Note 20)		
Stockholders' equity		
Bloomin' Brands stockholders' equity		
Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of September 27, 2020 and December 29, 2019	—	—
Common stock, $0.01 par value, 475,000,000 shares authorized; 87,572,904 and 86,945,869 shares issued and outstanding as of September 27, 2020 and December 29, 2019, respectively	875	869
Additional paid-in capital	1,126,146	1,094,338
Accumulated deficit	(903,885)	(755,089)
Accumulated other comprehensive loss	(218,002)	(169,776)
Total Bloomin' Brands stockholders' equity	5,134	170,342
Noncontrolling interests	7,421	7,139
Total stockholders' equity	12,555	177,481
Total liabilities and stockholders' equity	$ 3,367,598	$ 3,592,683

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

BLOOMIN' BRANDS, INC.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Revenues				
Restaurant sales	$ 766,487	$ 951,816	$ 2,338,985	$ 3,069,145
Franchise and other revenues	4,773	15,328	19,071	48,060
Total revenues	771,260	967,144	2,358,056	3,117,205
Costs and expenses				
Food and beverage costs	230,547	300,375	730,998	965,165
Labor and other related	246,861	288,552	761,667	908,780
Other restaurant operating	207,301	240,372	631,702	732,121
Depreciation and amortization	43,417	47,926	137,469	147,196
General and administrative	57,443	66,570	197,732	209,114
Provision for impaired assets and restaurant closings	(54)	1,391	66,223	6,917
Total costs and expenses	785,515	945,186	2,525,791	2,969,293
(Loss) income from operations	(14,255)	21,958	(167,735)	147,912
Loss on modification of debt	—	—	(237)	—
Other income (expense), net	1	11	(211)	(145)
Interest expense, net	(18,300)	(13,256)	(46,647)	(36,885)
(Loss) income before (benefit) provision for income taxes	(32,554)	8,713	(214,830)	110,882
(Benefit) provision for income taxes	(14,776)	(660)	(70,210)	6,051
Net (loss) income	(17,778)	9,373	(144,620)	104,831
Less: net (loss) income attributable to noncontrolling interests	(141)	125	(116)	2,262
Net (loss) income attributable to Bloomin' Brands	(17,637)	9,248	(144,504)	102,569
Redemption of preferred stock in excess of carrying value	—	—	(3,496)	—
Net (loss) income attributable to common stockholders	$ (17,637)	$ 9,248	$ (148,000)	$ 102,569
Net (loss) income	$ (17,778)	$ 9,373	$ (144,620)	$ 104,831
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(4,095)	(10,133)	(41,202)	(12,854)
Unrealized gain (loss) on derivatives, net of tax	261	(2,036)	(14,631)	(13,656)
Reclassification of adjustment for loss on derivatives included in Net (loss) income, net of tax	2,962	812	6,943	578
Comprehensive (loss) income	(18,650)	(1,984)	(193,510)	78,899
Less: comprehensive (loss) income attributable to noncontrolling interests	(141)	297	(780)	2,450
Comprehensive (loss) income attributable to Bloomin' Brands	$ (18,509)	$ (2,281)	$ (192,730)	$ 76,449
(Loss) earnings per share attributable to common stockholders:				
Basic	$ (0.20)	$ 0.11	$ (1.69)	$ 1.15
Diluted	$ (0.20)	$ 0.11	$ (1.69)	$ 1.14
Weighted average common shares outstanding:				
Basic	87,558	86,843	87,394	89,484
Diluted	87,558	87,305	87,394	90,306

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

BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.						
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT					
Balance, June 28, 2020	87,534	$ 875	$ 1,123,613	$ (886,248)	$ (217,130)	$ 8,088	$ 29,198
Net loss	—	—	—	(17,637)	—	(141)	(17,778)
Other comprehensive loss, net of tax	—	—	—	—	(872)	—	(872)
Stock-based compensation	—	—	2,712	—	—	—	2,712
Common stock issued under stock plans (1)	39	—	(179)	—	—	—	(179)
Distributions to noncontrolling interests	—	—	—	—	—	(745)	(745)
Contributions from noncontrolling interests	—	—	—	—	—	219	219
Balance, September 27, 2020	87,573	$ 875	$ 1,126,146	$ (903,885)	$ (218,002)	$ 7,421	$ 12,555
Balance, December 29, 2019	86,946	$ 869	$ 1,094,338	$ (755,089)	$ (169,776)	$ 7,139	$ 177,481
Cumulative-effect from a change in accounting principle, net of tax	—	—	—	(4,292)	—	—	(4,292)
Net loss	—	—	—	(144,504)	—	(116)	(144,620)
Other comprehensive loss, net of tax	—	—	—	—	(48,743)	(147)	(48,890)
Cash dividends declared, $0.20 per common share	—	—	(17,480)	—	—	—	(17,480)
Stock-based compensation	—	—	11,072	—	—	—	11,072
Consideration for preferred stock in excess of carrying value, net of tax	—	—	(3,496)	—	517	1,261	(1,718)
Common stock issued under stock plans (1)	627	6	(3,047)	—	—	—	(3,041)
Purchase of noncontrolling interests	—	—	(58)	—	—	1	(57)
Distributions to noncontrolling interests	—	—	—	—	—	(1,083)	(1,083)
Contributions from noncontrolling interests	—	—	—	—	—	366	366
Equity component value of convertible note issuance, net of tax of $650	—	—	64,367	—	—	—	64,367
Sale of common stock warrant	—	—	46,690	—	—	—	46,690
Purchase of convertible note hedge	—	—	(66,240)	—	—	—	(66,240)
Balance, September 27, 2020	87,573	$ 875	$ 1,126,146	$ (903,885)	$ (218,002)	$ 7,421	$ 12,555

(CONTINUED...)

BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.					NON-CONTROLLING INTERESTS	TOTAL
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS		
	SHARES	AMOUNT					
Balance, June 30, 2019	86,827	$ 868	$ 1,099,598	$ (792,341)	$ (157,346)	$ 7,814	$ 158,593
Net income	—	—	—	9,248	—	125	9,373
Other comprehensive (loss) income, net of tax	—	—	—	—	(11,529)	172	(11,357)
Cash dividends declared, $0.10 per common share	—	—	(8,674)	—	—	—	(8,674)
Stock-based compensation	—	—	4,613	—	—	—	4,613
Common stock issued under stock plans (1)	29	1	(155)	—	—	—	(154)
Distributions to noncontrolling interests	—	—	—	—	—	(1,221)	(1,221)
Contributions from noncontrolling interests	—	—	—	—	—	401	401
Balance, September 29, 2019	86,856	$ 869	$ 1,095,382	$ (783,093)	$ (168,875)	$ 7,291	$ 151,574
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	—	—	—	102,569	—	2,262	104,831
Other comprehensive (loss) income, net of tax	—	—	—	—	(26,154)	222	(25,932)
Cash dividends declared, $0.30 per common share	—	—	(27,041)	—	—	—	(27,041)
Repurchase and retirement of common stock	(5,469)	(55)	—	(106,937)	—	—	(106,992)
Stock-based compensation	—		13,743	—	—	—	13,743
Common stock issued under stock plans (1)	1,053	11	1,255	—	—	—	1,266
Purchase of noncontrolling interests	—	—	(157)	—	34	82	(41)
Distributions to noncontrolling interests	—	—	—	—	—	(5,228)	(5,228)
Contributions from noncontrolling interests	—	—	—	—	—	866	866
Balance, September 29, 2019	86,856	$ 869	$ 1,095,382	$ (783,093)	$ (168,875)	$ 7,291	$ 151,574

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

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

BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Cash flows provided by operating activities:		
Net (loss) income	$ (144,620)	$ 104,831
Adjustments to reconcile Net (loss) income to cash provided by operating activities:		
Depreciation and amortization	137,469	147,196
Amortization of debt discounts and issuance costs	6,504	1,891
Amortization of deferred gift card sales commissions	15,553	18,927
Provision for impaired assets and restaurant closings	66,223	6,917
Non-cash operating lease costs	55,401	54,815
Provision for expected credit losses and contingent lease liabilities	7,420	—
Inventory obsolescence and spoilage	6,835	—
Stock-based and other non-cash compensation expense	11,072	18,752
Deferred income tax benefit	(80,201)	(1,982)
Loss on sale of a business or subsidiary	—	206
Loss on modification of debt	237	—
Loss (gain) on disposal of property, fixtures and equipment	1,055	(3,217)
Other, net	(2,460)	(6,818)
Change in assets and liabilities	(25,517)	(160,592)
Net cash provided by operating activities	54,971	180,926
Cash flows used in investing activities:		
Proceeds from disposal of property, fixtures and equipment	2,088	16,418
Proceeds from sale-leaseback transactions, net	—	3,052
Capital expenditures	(66,956)	(117,478)
Other investments, net	8,706	4,298
Net cash used in investing activities	$ (56,162)	$ (93,710)

(CONTINUED...)

BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Cash flows provided by (used in) financing activities:		
Repayments of long-term debt and finance lease obligations	$ (19,798)	$ (20,646)
Proceeds from borrowings on revolving credit facilities, net	505,000	533,300
Repayments of borrowings on revolving credit facilities	(549,000)	(469,000)
Financing fees	(3,096)	—
Proceeds from issuance of convertible senior notes	230,000	—
Proceeds from issuance of warrants	46,690	—
Purchase of convertible note hedge	(66,240)	—
Issuance costs related to convertible senior notes	(8,416)	—
(Payments of taxes) proceeds from share-based compensation, net	(3,041)	1,266
Distributions to noncontrolling interests	(1,083)	(5,228)
Contributions from noncontrolling interests	366	866
Purchase of limited partnership and noncontrolling interests	(57)	(41)
Payments for partner equity plan	(12,517)	(12,928)
Repurchase of common stock	—	(106,992)
Cash dividends paid on common stock	(17,480)	(27,041)
Redemption of subsidiary preferred stock	(1,475)	—
Net cash provided by (used in) financing activities	99,853	(106,444)
Effect of exchange rate changes on cash and cash equivalents	(3,293)	(1,187)
Net increase (decrease) in cash, cash equivalents and restricted cash	95,369	(20,415)
Cash, cash equivalents and restricted cash as of the beginning of the period	67,145	71,823
Cash, cash equivalents and restricted cash as of the end of the period	$ 162,514	$ 51,408
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 35,425	$ 35,855
Cash paid for income taxes, net of refunds	4,198	20,025
Supplemental disclosures of non-cash investing and financing activities:		
Leased assets obtained in exchange for new operating lease liabilities	$ 12,971	$ 43,101
Leased assets obtained in exchange for new finance lease liabilities	1,263	200
(Decrease) increase in liabilities from the acquisition of property, fixtures and equipment	(7,174)	2,655

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

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 ("SEC"). 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 29, 2019.

Risks and Uncertainties - In March 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. In response to COVID-19, the Company temporarily closed all restaurant dining rooms in the U.S. as of March 20, 2020 and shifted operations to provide only take-out and delivery service, resulting in significantly reduced traffic in its restaurants. In early May 2020, the Company began to reopen its restaurant dining rooms with limited seating capacity in compliance with state and local regulations. As of September 27, 2020, the Company's restaurant dining rooms have reopened but many are still subject to seating capacity restrictions. The temporary closure of the Company's dining rooms and the limitations on seating capacity in its reopened dining rooms have resulted in significantly reduced traffic in the Company's restaurants. The negative effect of COVID-19 on the Company's business was significant during the thirteen and thirty-nine weeks ended September 27, 2020. See Note 2 - *COVID-19 Charges* for details regarding certain charges resulting from the COVID-19 pandemic.

The duration of the COVID-19 pandemic and its long-term impact on the Company's business are uncertain at this time. Given the daily evolution of the pandemic and the global responses to curb its spread, the Company may be unable to accurately estimate the effects of the pandemic on its results of operations, financial condition, or liquidity for the foreseeable future.

Recently Adopted Financial Accounting Standards - On December 30, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("ASU No. 2016-13"), which requires measurement and recognition of losses for financial instruments under the current expected credit loss model versus incurred losses under previous guidance. The Company's adoption of ASU No. 2016-13 and its related amendments ("the new credit loss standard") resulted in a cumulative-effect debit adjustment to the beginning balance of Accumulated deficit of $4.3 million, including $4.8 million of contingent lease liabilities related to lease guarantees and $1.0 million of incremental reserve for credit losses, net of a $1.5 million increase in deferred tax assets. Measurement processes and related controls have been implemented by the Company to ensure compliance with the new credit loss standard. See Note 18 - *Allowance for Expected Credit Losses* for additional details regarding the Company's allowance for expected credit losses.

On December 30, 2019, the Company adopted 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. Under ASU No. 2018-15, implementation costs incurred by customers in cloud computing arrangements are deferred and recognized over the term of the arrangement similar to internal-use software guidance. The Company contracts with 3rd party information technology providers for various service arrangements including software, platform and information technology infrastructure. The capitalized implementation costs are recorded within Other assets, net on the Company's Consolidated Balance Sheets and are amortized on a straight-line basis over the term of the hosting arrangements, including reasonably certain renewal periods, within the same financial statement line as the related hosting fees. The amortization of the Company's current arrangements is recorded in General and administrative expense in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. The Company's prospective adoption of ASU No. 2018-15 did not have a material effect on its consolidated financial statements.

In March 2020, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," ("ASU No. 2020-04"). The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU No. 2020-04 was effective beginning March 12, 2020 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company has elected to apply the hedge accounting expedients related to hedge effectiveness for future LIBOR-indexed cash flows, which enables the Company to continue to apply hedge accounting to hedging relationships impacted by reference rate reform. Application of these expedients allows for presentation of derivatives consistent with the Company's historical presentation. The Company continues to evaluate the impact of the guidance and may apply other elections, as applicable.

Recently Issued Financial Accounting Standards Not Yet Adopted - In August 2020, the FASB issued ASU No. 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," ("ASU No. 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Specifically, ASU No. 2020-06 removes the separation models for convertible debt with a cash conversion feature or convertible instruments with a beneficial conversion feature. As a result, after adopting ASU No. 2020-06, the Company will no longer separately present the embedded conversion feature of its convertible debt within stockholders' equity. ASU No. 2020-06 is effective for the Company in the first quarter of 2022, with early adoption permitted and may be adopted using either a full or modified retrospective approach. Upon adoption interest expense is expected to decrease due to the elimination of debt discount amortization. The Company is currently evaluating the full effect adopting ASU No. 2020-06 will have on its consolidated financial statements, including the timing and adoption approach.

2. COVID-19 Charges

Following is a summary of the charges recorded in connection with the COVID-19 pandemic for the period indicated (dollars in thousands):

CHARGES	CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME CLASSIFICATION	THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020
Inventory obsolescence and spoilage	Food and beverage costs	$ 6,748
Compensation for idle employees (1)	Labor and other related	28,243
Other operating charges	Other restaurant operating	2,467
Lease guarantee contingent liabilities (2)	General and administrative	4,188
Allowance for expected credit losses (3)	General and administrative	3,334
Other charges	General and administrative	2,624
Right-of-use asset impairment (4)	Provision for impaired assets and restaurant closings	25,740
Fixed asset impairment (4)	Provision for impaired assets and restaurant closings	31,727
Goodwill and other impairment (5)	Provision for impaired assets and restaurant closings	3,096
		$ 108,167

(1) Represents relief pay for hourly employees impacted by the closure of dining rooms, net of $14.4 million of employee retention tax credits earned.
(2) Represents additional contingent liabilities recorded for lease guarantees related to certain former restaurant locations now operated by franchisees or other third parties.
(3) Includes additional reserves based on the Company's increase in expected credit losses, primarily related to franchise receivables.
(4) Includes impairments resulting from the remeasurement of assets utilizing projected future cash flows revised for current economic conditions, restructuring charges and the closure of certain restaurants. See Note 4 - *Impairments, Exit Costs and Disposals* for details regarding COVID-19 Restructuring costs.
(5) Includes impairment of goodwill for the Company's Hong Kong subsidiary. See Note 9 - *Goodwill and Intangible Assets, Net* for details regarding impairment of goodwill.

3. Revenue Recognition

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 27, 2020	THIRTEEN WEEKS ENDED SEPTEMBER 29, 2019	THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020	THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 2019
Revenues				
Restaurant sales	$ 766,487	$ 951,816	$ 2,338,985	$ 3,069,145
Franchise and other revenues				
Franchise revenue	$ 4,216	$ 12,426	$ 15,716	$ 38,980
Other revenue	557	2,902	3,355	9,080
Total Franchise and other revenues	$ 4,773	$ 15,328	$ 19,071	$ 48,060
Total revenues	$ 771,260	$ 967,144	$ 2,358,056	$ 3,117,205

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

	THIRTEEN WEEKS ENDED			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
(dollars in thousands)	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.				
Outback Steakhouse	$ 443,286	$ 1,422	$ 499,903	$ 9,143
Carrabba’s Italian Grill	124,019	359	137,912	592
Bonefish Grill	100,410	44	132,267	186
Fleming’s Prime Steakhouse & Wine Bar	49,846	—	64,542	—
Other	1,845	—	1,129	—
U.S. total	$ 719,406	$ 1,825	$ 835,753	$ 9,921
International				
Outback Steakhouse Brazil	$ 32,485	$ —	$ 94,430	$ —
Other (1)	14,596	2,391	21,633	2,505
International total	$ 47,081	$ 2,391	$ 116,063	$ 2,505
Total	$ 766,487	$ 4,216	$ 951,816	$ 12,426

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(1) Includes Restaurant sales for the Company’s Abbraccio concept in Brazil.

	THIRTY-NINE WEEKS ENDED			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
(dollars in thousands)	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.				
Outback Steakhouse	$ 1,320,524	$ 8,099	$ 1,613,723	$ 29,330
Carrabba’s Italian Grill	364,632	827	461,387	1,389
Bonefish Grill	299,226	184	436,766	596
Fleming’s Prime Steakhouse & Wine Bar	151,962	—	221,965	—
Other	4,718	—	3,341	—
U.S. total	$ 2,141,062	$ 9,110	$ 2,737,182	$ 31,315
International				
Outback Steakhouse Brazil	$ 148,078	$ —	$ 267,980	$ —
Other (1)	49,845	6,606	63,983	7,665
International total	$ 197,923	$ 6,606	$ 331,963	$ 7,665
Total	$ 2,338,985	$ 15,716	$ 3,069,145	$ 38,980

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(1) Includes Restaurant sales for the Company’s Abbraccio concept in Brazil.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Other current assets, net		
Deferred gift card sales commissions	$ 12,585	$ 18,554
Unearned revenue		
Deferred gift card revenue	$ 269,941	$ 358,757
Deferred loyalty revenue	9,711	10,034
Deferred franchise fees - current	472	491
Total Unearned revenue	$ 280,124	$ 369,282
Other long-term liabilities, net		
Deferred franchise fees - non-current	$ 4,301	$ 4,599

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Balance, beginning of period	$ 13,624	$ 10,488	$ 18,554	$ 16,431
Deferred gift card sales commissions amortization	(3,961)	(4,838)	(15,553)	(18,927)
Deferred gift card sales commissions capitalization	3,068	3,886	10,534	13,118
Other	(146)	(425)	(950)	(1,511)
Balance, end of period	$ 12,585	$ 9,111	$ 12,585	$ 9,111

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Balance, beginning of period	$ 279,973	$ 227,372	$ 358,757	$ 333,794
Gift card sales	42,531	52,059	142,619	183,189
Gift card redemptions	(49,964)	(68,880)	(220,549)	(295,281)
Gift card breakage	(2,599)	(3,492)	(10,886)	(14,643)
Balance, end of period	$ 269,941	$ 207,059	$ 269,941	$ 207,059

4. Impairments, Exit Costs and Disposals

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Impairment losses				
U.S. (1)	$ 332	$ 1,548	$ 55,045	$ 5,177
International (1) (2)	—	—	3,468	1,785
Corporate (3)	32	—	6,193	—
Total impairment losses	$ 364	$ 1,548	$ 64,706	$ 6,962
Restaurant closure (benefits) expenses				
U.S. (1)	$ (418)	$ (196)	$ 1,344	$ (101)
International (1)	—	39	173	56
Total restaurant closure (benefits) expenses	$ (418)	$ (157)	$ 1,517	$ (45)
Provision for impaired assets and restaurant closings	$ (54)	$ 1,391	$ 66,223	$ 6,917

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(1) U.S. and international impairment and closure charges for the thirteen and thirty-nine weeks ended September 27, 2020 primarily relate to the COVID-19 pandemic (including charges related to the COVID-19 Restructuring discussed below). See Note 2 - *COVID-19 Charges* for details regarding the impact of the COVID-19 pandemic on the Company's financial results.

(2) Includes goodwill impairment charges of $2.0 million during the thirty-nine weeks ended September 27, 2020. See Note 9 - *Goodwill and Intangible Assets, Net* for details regarding impairment of goodwill.

(3) Corporate impairment charges primarily relate to transformational initiatives.

COVID-19 Restructuring - During the thirty-nine weeks ended September 27, 2020, the Company recognized pre-tax asset impairments and closure costs in connection with the closure of 22 restaurants and from the update of certain cash flow assumptions, including lease renewal considerations (the "COVID-19 Restructuring"). Following is a summary of the COVID-19 Restructuring charges recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income for the period indicated (dollars in thousands):

		THIRTY-NINE WEEKS ENDED
DESCRIPTION	**LOCATION OF CHARGE IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**	**SEPTEMBER 27, 2020**
Property, fixtures and equipment impairments	Provision for impaired assets and restaurant closings	$ 16,932
Lease right-of-use asset impairments and closing costs	Provision for impaired assets and restaurant closings	4,008
Severance and other expenses	General and administrative	1,021
		$ 21,961

Impairment and closure charges during the thirteen and thirty-nine weeks ended September 29, 2019 resulted primarily from locations identified for remodel, relocation or closure and certain other assets.

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

(dollars in thousands)	THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020
Balance, beginning of the period	$ 14,542
Additions	2,103
Cash payments	(3,327)
Accretion	862
Adjustments	346
Balance, end of the period (1)	$ 14,526

(1) As of September 27, 2020, the Company had exit-related accruals related to certain closure and restructuring initiatives of $4.4 million recorded in Accrued and other current liabilities and $10.1 million recorded in Non-current operating lease liabilities on its Consolidated Balance Sheet.

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 for 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 20 - *Commitments and Contingencies* for additional details regarding lease guarantees.

Surplus Property Disposals - During the thirteen weeks ended September 29, 2019, the Company completed the sale of five of its U.S. surplus properties for cash proceeds of $12.7 million, net of certain purchase price adjustments. The transaction resulted in a net gain of $3.6 million, recorded within Other restaurant operating expense in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

5. (Loss) Earnings Per Share

The following table presents the computation of basic and diluted (loss) earnings per share attributable to common stockholders for the periods indicated:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(in thousands, except per share data)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Net (loss) income attributable to Bloomin' Brands	$ (17,637)	$ 9,248	$ (144,504)	$ 102,569
Redemption of preferred stock in excess of carrying value (1)	—	—	(3,496)	—
Net (loss) income attributable to common stockholders	$ (17,637)	$ 9,248	$ (148,000)	$ 102,569
Basic weighted average common shares outstanding	87,558	86,843	87,394	89,484
Effect of diluted securities:				
Stock options	—	272	—	541
Nonvested restricted stock units	—	190	—	249
Nonvested performance-based share units	—	—	—	32
Diluted weighted average common shares outstanding	87,558	87,305	87,394	90,306
Basic (loss) earnings per share attributable to common stockholders	$ (0.20)	$ 0.11	$ (1.69)	$ 1.15
Diluted (loss) earnings per share attributable to common stockholders	$ (0.20)	$ 0.11	$ (1.69)	$ 1.14

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(1) Consideration paid in excess of carrying value for the redemption of preferred stock is considered a deemed dividend and, for purposes of calculating earnings per share, reduces net income attributable to common stockholders for the thirty-nine weeks ended September 27, 2020. See Note 14 - *Stockholders' Equity* for additional details.

Weighted-average securities outstanding not included in the computation of net (loss) earnings per share attributable to common stockholders because their effect was antidilutive were as follows, for the periods indicated:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(shares in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Stock options	5,381	5,408	5,133	4,336
Nonvested restricted stock units	797	209	813	210
Nonvested performance-based share units	628	337	595	309
Convertible senior notes and warrants	38,696	—	20,695	—

There are approximately 19.348 million shares of the Company's common stock that underlie its senior convertible notes based on the initial conversion rate and full principal amount. The conversion spread on the Company's convertible senior notes will have a dilutive impact on diluted earnings per share when the average market price of the Company's common stock for a given period exceeds the conversion price of $11.89 per share of common stock. The Company expects to settle the principal amount of its outstanding convertible senior notes in cash and any excess in shares. As a result, upon conversion of the convertible senior notes, only the amounts in excess of the principal amount are considered in diluted earnings per share under the treasury stock method, if applicable. For the thirteen and thirty-nine weeks ended September 27, 2020, the convertible senior notes have been excluded from the computation of diluted earnings per share as the effect would be antidilutive given the Company's net loss. Warrants to purchase approximately 19.348 million shares of the Company's common shares at $16.64 per share were outstanding as of September 27, 2020 but were excluded from the computation of diluted earnings per share since the warrants' strike price was greater than the average market price of the Company's common stock during the period. See Note 12 - *Convertible Senior Notes* for additional information regarding the Company's convertible senior notes.

6. Stock-based Compensation Plans

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Stock options	$ 992	$ 1,316	$ 2,862	$ 3,888
Restricted stock units	2,303	2,389	6,326	6,548
Performance-based share units	(588)	848	1,804	3,105
	$ 2,707	$ 4,553	$ 10,992	$ 13,541

During the thirty-nine weeks ended September 27, 2020, the Company made grants of 0.1 million stock options, 0.5 million time-based restricted stock units and 0.5 million performance-based share units.

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:

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	**SEPTEMBER 29, 2019**
Assumptions:		
Weighted-average risk-free interest rate (1)	0.90 %	2.34 %
Dividend yield (2)	4.34 %	1.94 %
Expected term (3)	5.5 years	4.8 years
Weighted-average volatility (4)	30.43 %	31.05 %
Weighted-average grant date fair value per option	$ 3.12	$ 5.07

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(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. The dividend yield for the thirty-nine weeks ended September 27, 2020 relates to options granted prior the Company's Amended Credit Agreement which restricts the payment of dividends. See Note 11 - *Long-term Debt, Net* for dividend restriction details.
(3) Expected term represents the period of time that the options are expected to be outstanding. The Company estimates the expected term based on historical exercise experience for its stock options.
(4) Based on the historical volatility of the Company's stock.

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of September 27, 2020:

	UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	$ 4,078	1.4
Restricted stock units	$ 13,618	1.9
Performance-based share units	$ 9,233	1.8

7. Other Current Assets, Net

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Prepaid expenses	$ 18,837	$ 20,218
Accounts receivable - gift cards, net	14,013	104,591
Accounts receivable - vendors, net	6,631	13,465
Accounts receivable - franchisees, net	624	1,322
Accounts receivable - other, net	16,090	21,734
Deferred gift card sales commissions	12,585	18,554
Assets held for sale	3,786	3,317
Other current assets, net	4,271	3,261
	$ 76,837	$ 186,462

8. Property, Fixtures and Equipment, Net

Property, fixtures and equipment, net, consisted of the following as of the periods indicated:

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Land	$ 40,728	$ 42,570
Buildings	1,152,012	1,202,434
Furniture and fixtures	445,536	458,169
Equipment	616,780	665,815
Construction in progress	28,286	24,477
Less: accumulated depreciation	(1,382,459)	(1,357,388)
	$ 900,883	$ 1,036,077

9. Goodwill and Intangible Assets, Net

Goodwill - The following table is a rollforward of goodwill:

(dollars in thousands)	U.S.	INTERNATIONAL	CONSOLIDATED
Balance as of December 29, 2019	$ 170,657	$ 117,782	$ 288,439
Translation adjustments	—	(16,728)	(16,728)
Impairment charges	—	(1,973)	(1,973)
Balance as of September 27, 2020	$ 170,657	$ 99,081	$ 269,738

The COVID-19 outbreak was considered a triggering event during the thirteen weeks ended March 29, 2020, indicating that the carrying amount of goodwill may not be recoverable. As a result, the Company performed a quantitative assessment for all reporting units to determine whether a reporting unit was impaired. Based on this assessment, which utilized a discounted cash flow analysis, the Company recorded full impairment of goodwill related to its Hong Kong reporting unit of $2.0 million, within the international segment, during the thirteen weeks ended March 29, 2020. Impairment was not recorded for any of the Company's other reporting units as a result of the quantitative assessment.

Annual Goodwill and Intangible Asset Impairment Assessment - The Company performs its annual assessment for impairment of goodwill and other indefinite-lived intangible assets as of the first day of its second fiscal quarter. Since the Company performed a quantitative assessment on the last day of the first fiscal quarter of 2020, as described above, the Company utilized the same assumptions and analysis in performing a quantitative annual assessment in its second fiscal quarter and concluded that no additional impairment was required. In 2019, the Company performed a qualitative assessment and did not record any impairment charges.

10. Other Assets, Net

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Company-owned life insurance (1)	$ 50,887	$ 60,126
Deferred debt issuance costs (2)	5,301	4,893
Liquor licenses	24,250	24,289
Other assets	18,561	27,802
	$ 98,999	$ 117,110

(1) During the thirty-nine weeks ended September 27, 2020, the Company utilized $9.3 million of Company-owned life insurance policies to pay deferred compensation obligations.
(2) Net of accumulated amortization of $8.4 million and $6.8 million as of September 27, 2020 and December 29, 2019, respectively.

11. Long-term Debt, Net

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

	SEPTEMBER 27, 2020		DECEMBER 29, 2019	
(dollars in thousands)	OUTSTANDING BALANCE	INTEREST RATE	OUTSTANDING BALANCE	INTEREST RATE
Senior Secured Credit Facility:				
Term loan A (1)	$ 431,250	2.89 %	$ 450,000	3.40 %
Revolving credit facility (1) (2)	555,000	2.88 %	599,000	3.44 %
Total Senior Secured Credit Facility	$ 986,250		$ 1,049,000	
Convertible Senior Notes (3)	230,000	5.00 %	—	
Finance lease liabilities	2,375		2,308	
Other	—		50	2.18 %
Less: unamortized debt discount and issuance costs	(70,735)		(2,654)	
Total debt, net	$ 1,147,890		$ 1,048,704	
Less: current portion of long-term debt	(35,600)		(26,411)	
Long-term debt, net	$ 1,112,290		$ 1,022,293	

(1) Interest rate represents the weighted-average interest rate for the respective periods.
(2) Subsequent to September 27, 2020, the Company made a payment of $23.0 million on its revolving credit facility.
(3) See Note 12 - *Convertible Senior Notes* for details regarding the convertible senior notes and related hedge and warrant transactions.

Amended Credit Agreement - On May 4, 2020, the Company and its wholly-owned subsidiary OSI Restaurant Partners, LLC ("OSI"), as co-borrowers, entered into an amendment to the existing credit agreement, dated November 30, 2017 (the "Amended Credit Agreement"), which provides relief for the financial covenant to maintain a specified quarterly Total Net Leverage Ratio ("TNLR"). Without such amendment, violation of financial covenants under the original credit agreement could have resulted in default. TNLR is the ratio of Consolidated Total Debt (Current portion of long-term debt and Long-term debt, net of cash, excluding the convertible senior notes) to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization and certain other adjustments as defined in the Amended Credit Agreement).

The Amended Credit Agreement waives the TNLR requirement for the remainder of fiscal year 2020 and requires a TNLR based on a seasonally annualized calculation of Consolidated EBITDA not to exceed the following thresholds for the periods indicated:

QUARTERLY PERIOD ENDED	MAXIMUM RATIO
March 28, 2021 (1)	5.50 to 1.00
June 27, 2021 (2)	5.00 to 1.00
September 26, 2021 and thereafter (3)	4.50 to 1.00

(1) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the fiscal quarter ending March 28, 2021 divided by 34.1%.
(2) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the two consecutive quarters ending June 27, 2021 divided by 58.5%.
(3) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the three consecutive quarters ending September 26, 2021 divided by 77.0%.

The Company is also required to meet a minimum monthly liquidity threshold of $125.0 million through March 28, 2021, calculated as the sum of available capacity under the Company's revolving credit facility, unrestricted domestic cash on hand and up to $25.0 million of unrestricted cash held by foreign subsidiaries.

Under the Amended Credit Agreement, the Company is limited to $100.0 million of aggregate capital expenditures for the four fiscal quarters through March 28, 2021. The Company is also prohibited from making certain restricted payments, investments or acquisitions until after September 26, 2021, with an exception for investments in the Company's foreign subsidiaries which are capped at $27.5 million. Repurchasing shares of the Company's outstanding common stock and paying dividends are also restricted until after September 26, 2021 and the Company is compliant with its financial covenants under the terms of the Amended Credit Agreement.

Interest rates under the Amended Credit Agreement are 275 and 175 basis points above the Eurocurrency Rate and Base Rate, respectively, and letter of credit fees and fees for the daily unused availability under the revolving credit facility are 2.75% and 0.40%, respectively, subject to reversion to rates under the original credit agreement when the Company is in compliance with the TNLR covenant for the test period ending September 26, 2021. The Company is also subject to a 0% Eurocurrency floor under the Amended Credit Agreement.

Deferred Debt Issuance Costs - The Company deferred $2.9 million of debt issuance costs incurred in connection with the Amended Credit Agreement. Deferred debt issuance costs of $2.0 million associated with the revolving credit facility portion of the Amended Credit Agreement were recorded in Other assets, net and all other deferred debt issuance costs were recorded in Long-term debt, net during the thirteen weeks ended June 28, 2020.

As of September 27, 2020 and December 29, 2019, the Company was in compliance with its debt covenants.

12. Convertible Senior Notes

Convertible Senior Notes - On May 8, 2020, the Company completed a $200.0 million principal amount private offering of 5.00% convertible senior notes due 2025 and on May 12, 2020, issued an additional $30.0 million principal amount in connection with the option granted to the initial purchasers as part of the offering (collectively, the "2025 Notes"). The 2025 Notes are governed by the terms of an indenture between the Company and Wells Fargo Bank, National Association, as the Trustee. The 2025 Notes will mature on May 1, 2025, unless earlier converted, redeemed or purchased by the Company. The 2025 Notes bear cash interest at an annual rate of 5.00%, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020.

The 2025 Notes are unsecured obligations and do not contain any financial covenants or restrictions on incurring additional indebtedness, paying dividends or issuing or repurchasing any securities. Events of default under the indenture for the 2025 Notes include, among other things, a default in the payment when due of the principal of, or the redemption price for, any note and a default for 30 days in the payment when due of interest on any note. If an event of default, the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding will immediately become due and payable.

The initial conversion rate applicable to the 2025 Notes is 84.122 shares of common stock per $1,000 principal amount of 2025 Notes, or a total of approximately 19.348 million shares for the total $230.0 million principal amount. This initial conversion rate is equivalent to an initial conversion price of approximately $11.89 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events. Noteholders may convert their notes at their option only in the circumstances described in the indenture.

The Company will settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election, based on the applicable conversion rate.

Net proceeds from the 2025 Notes offering were approximately $221.6 million, after deducting the initial purchaser's discounts and commissions and the Company's offering expenses. Upon issuance, the principal amount was separated into a liability and an equity component, such that interest expense reflects the Company's nonconvertible debt interest rate.

The initial carrying value of the 2025 Notes, excluding the discounts upon original issuance and third-party offering costs allocated to the liability, and recorded during the thirteen weeks ended June 28, 2020, is as follows (dollars in thousands):

Liability component		
Principal	$	230,000
Less: Debt discount (1)		(66,137)
Less: Debt issuance costs (1)		(5,996)
Net carrying amount	$	157,867
Equity component (2)	$	64,367

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(1) Debt discount and issuance costs are amortized to interest expense using the effective interest method over the expected life of the 2025 Notes.
(2) Recorded in Additional paid-in capital on the Consolidated Balance Sheet. Includes $2.4 million of equity issuance costs and net deferred tax assets of $0.6 million.

Convertible Note Hedge and Warrant Transactions - In connection with the offering of the 2025 Notes, the Company entered into convertible note hedge transactions (the "Convertible Note Hedge Transactions") with certain of the initial purchasers of the 2025 Notes and/or their respective affiliates and other financial institutions (in this capacity, the "Hedge Counterparties"). Concurrently with the Company's entry into the Convertible Note Hedge Transactions, the Company also entered into separate, warrant transactions with the Hedge Counterparties collectively relating to the same number of shares of the Company's common stock, subject to customary anti-dilution adjustments, and for which the Company received proceeds that partially offset the cost of entering into the Convertible Note Hedge Transactions (the "Warrant Transactions").

The Convertible Note Hedge Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock that initially underlie the 2025 Notes, and are expected generally to reduce the potential equity dilution, and/or offset any cash payments in excess of the principal amount due, as the case may be, upon conversion of the 2025 Notes. The Warrant Transactions could have a dilutive effect on the Company's common stock to the extent that the price of its common stock exceeds the strike price of the Warrant Transactions.

The strike price will initially be $16.64 per share and is subject to certain adjustments under the terms of the Warrant Transactions.

The portion of the net proceeds to the Company from the offering of the 2025 Notes that was used to pay the premium on the Convertible Note Hedge Transactions, net of the proceeds to the Company from the Warrant Transactions, was approximately $19.6 million. The net costs incurred in connection with the Convertible Note Hedge Transactions and Warrant Transactions were recorded as a reduction to Additional paid-in capital on the Company's Consolidated Balance Sheet during the thirteen weeks ended June 28, 2020.

As these transactions meet certain accounting criteria, the Convertible Note Hedge Transactions and Warrant Transactions were recorded in stockholders' equity, not accounted for as derivatives and are not remeasured each reporting period.

13. Other Long-term Liabilities, Net

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Accrued insurance liability	$ 32,592	$ 33,818
Chef and Restaurant Managing Partner deferred compensation obligations	35,273	47,831
Deferred payroll tax liabilities (1)	36,092	—
Other long-term liabilities (2)	69,815	56,411
	$ 173,772	$ 138,060

(1) Deferred payroll tax liabilities as allowed for in the Coronavirus, Aid, Relief and Economic Security Act ("CARES Act"). See Note 19 - *Income Taxes* for details regarding the CARES Act.
(2) The increase in Other long-term liabilities during the thirty-nine weeks ended September 27, 2020, primarily relates to $8.7 million of additional contingent lease liabilities subsequent to the adoption of ASU No. 2016-13 and $2.8 million of additional interest rate swap liabilities. See Note 20 - *Commitments and Contingencies* and Note 15 - *Derivative Instruments and Hedging Activities*, respectively, for details regarding these increases.

14. Stockholders' Equity

Dividends - The Company declared and paid dividends per share during fiscal year 2020 as follows:

(in thousands, except per share data)	DIVIDENDS PER SHARE	AMOUNT
First fiscal quarter	$ 0.20	$ 17,480

Redeemable Preferred Stock - In connection with the development of its Abbraccio Cucina Italiana ("Abbraccio") concept in 2015, the Company entered into an investment agreement (the "Abbraccio Investment Agreement") to sell preferred shares of its Abbraccio subsidiary ("Abbraccio Shares") to certain investors. The Abbraccio Investment Agreement included a call option for the purchase of the Abbraccio Shares (the "Abbraccio Call Option").

During the thirteen weeks ended March 29, 2020, the Company exercised the Abbraccio Call Option to purchase all outstanding Abbraccio Shares for $1.0 million and recorded a reduction to Accumulated deficit and an increase in Net loss applicable to common stockholders of $3.5 million for the consideration paid in excess of the Abbraccio Shares' carrying value.

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Foreign currency translation adjustment	$ (192,569)	$ (152,031)
Unrealized loss on derivatives, net of tax	(25,433)	(17,745)
Accumulated other comprehensive loss	$ (218,002)	$ (169,776)

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Foreign currency translation adjustment	$ (4,095)	$ (10,305)	$ (40,538)	$ (13,042)
Unrealized gain (loss) on derivatives, net of tax (1)	$ 261	$ (2,036)	$ (14,631)	$ (13,656)
Reclassification of adjustments for loss on derivatives included in Net (loss) income, net of tax (2)	2,962	812	6,943	578
Total unrealized gain (loss) on derivatives, net of tax	$ 3,223	$ (1,224)	$ (7,688)	$ (13,078)
Other comprehensive loss attributable to Bloomin' Brands	$ (872)	$ (11,529)	$ (48,226)	$ (26,120)

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(1) Unrealized gain (loss) on derivatives is net of tax of $0.1 million and $(0.7) million for the thirteen weeks ended September 27, 2020 and September 29, 2019 and $(5.1) million and $(4.7) million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

(2) Reclassifications of adjustments for loss on derivatives are net of tax. See Note 15 - *Derivative Instruments and Hedging Activities* for the tax impact of reclassifications.

15. Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk - 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 swap agreements have an aggregate notional amount of $550.0 million and mature on November 30, 2022. Under the terms of the swap agreements, the Company pays a weighted-average fixed rate of 3.04% on the notional amount and receives 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 Company estimates $16.0 million will be reclassified to interest expense over the next 12 fiscal months. The following table presents the fair value and classification of the Company's swap agreements, as of the periods indicated:

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - liability	$ 14,749	$ 7,174	Accrued and other current liabilities
Interest rate swaps - liability	19,615	16,835	Other long-term liabilities, net
Total fair value of derivative instruments - liabilities (1)	$ 34,364	$ 24,009	
Accrued interest	$ 1,364	$ 632	Accrued and other current liabilities

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(1) See Note 17 - *Fair Value Measurements* for fair value discussion of the interest rate swaps.

On May 4, 2020, concurrent with entering into the Amended Credit Agreement, the Company de-designated its interest rate swap hedge relationship and modified its hedge documentation to more closely align with certain terms of the Amended Credit Agreement. On May 6, 2020, the Company re-designated the cash flow hedge relationship for the original $550.0 million notional amount, resulting in no impact to the Company's consolidated financial statements as a result of the hedge activity.

The following table summarizes the effects of the swap agreements on Net (loss) income for the periods indicated:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Interest rate swap expense recognized in Interest expense, net	$ (3,991)	$ (1,095)	$ (9,353)	$ (779)
Income tax benefit recognized in (Benefit) provision for income taxes	1,029	283	2,410	201
Total effects of the interest rate swaps on Net (loss) income	$ (2,962)	$ (812)	$ (6,943)	$ (578)

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 September 27, 2020, 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 September 27, 2020 and December 29, 2019, the fair value of the Company's interest rate swaps was in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk, of $36.5 million and $24.8 million, respectively. As of September 27, 2020 and December 29, 2019, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of September 27, 2020 and December 29, 2019, it could have been required to settle its obligations under the agreements at their termination value of $36.5 million and $24.8 million, respectively.

16. Leases

In April 2020, the FASB issued a question and answer document focused on the application of lease accounting guidance to lease concessions provided as a result of COVID-19 (the "Lease Modification Q&A"). The Lease Modification Q&A provides entities with the option to elect to account for lease concessions as though the enforceable rights and obligations existed in the original lease when the total cash flows resulting from the modified lease are substantially similar to the cash flows in the original lease. The Company elected this practical expedient for COVID-19-related rent concessions, primarily rent deferrals or rent abatements, and has elected not to remeasure the related lease liability and right-of-use asset for those leases. Rent deferrals are accrued with no impact to straight-line rent expense. Rent abatements are recognized as a reduction of variable rent expense in the month they occur. This election will continue while these concessions are in effect.

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

(dollars in thousands)	CONSOLIDATED BALANCE SHEET CLASSIFICATION	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 1,192,035	$ 1,266,548
Finance lease right-of-use assets (1)	Property, fixtures and equipment, net	2,123	2,036
Total lease assets, net		$ 1,194,158	$ 1,268,584
Current operating lease liabilities (2)	Accrued and other current liabilities	$ 177,713	$ 171,866
Current finance lease liabilities	Current portion of long-term debt	1,225	1,361
Non-current operating lease liabilities	Non-current operating lease liabilities	1,230,008	1,279,051
Non-current finance lease liabilities	Long-term debt, net	1,150	947
Total lease liabilities		$ 1,410,096	$ 1,453,225

(1) Net of accumulated amortization of $2.1 million and $1.3 million as of September 27, 2020 and December 29, 2019, respectively.
(2) Excludes COVID-19-related deferred rent accruals of $14.4 million as of September 27, 2020 and accrued contingent percentage rent of $2.6 million and $2.4 million, as of September 27, 2020 and December 29, 2019, respectively.

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

		THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME CLASSIFICATION	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Operating leases (1)	Other restaurant operating	$ 45,341	$ 45,948	$ 133,999	$ 136,260
Variable lease cost	Other restaurant operating	(1,677)	933	(1,603)	2,498
Finance leases					
Amortization of leased assets	Depreciation and amortization	328	365	985	1,049
Interest on lease liabilities	Interest expense, net	37	64	120	209
Sublease revenue (2)	Franchise and other revenues	(409)	(1,747)	(2,195)	(4,853)
Lease costs, net		$ 43,620	$ 45,563	$ 131,306	$ 135,163

(1) Excludes rent expense for office facilities and Company-owned closed or subleased properties of $3.6 million and $3.8 million for the thirteen weeks ended September 27, 2020 and September 29, 2019, respectively, and $10.4 million and $11.0 million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively, which is included in General and administrative expense. Also excludes certain supply chain related rent expense of $0.3 million for the thirteen weeks ended September 27, 2020 and September 29, 2019 and $1.0 million and $0.9 million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively, which is included in Food and beverage costs.
(2) Excludes rental income from Company-owned properties of $0.4 million for the thirteen weeks ended September 29, 2019 and $0.3 million and $1.8 million for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

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

	THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Cash flows from operating activities:		
Cash paid for amounts included in the measurement of operating lease liabilities	$ 127,642	$ 143,630

17. 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:

	SEPTEMBER 27, 2020			DECEMBER 29, 2019		
(dollars in thousands)	**TOTAL**	**LEVEL 1**	**LEVEL 2**	**TOTAL**	**LEVEL 1**	**LEVEL 2**
Assets:						
Cash equivalents:						
Fixed income funds	$ 8,607	$ 8,607	$ —	$ 1,037	$ 1,037	$ —
Money market funds	10,884	10,884	—	12,752	12,752	—
Restricted cash equivalents:						
Money market funds	2,481	2,481	—	—	—	—
Total asset recurring fair value measurements	$ 21,972	$ 21,972	$ —	$ 13,789	$ 13,789	$ —
Liabilities:						
Accrued and other current liabilities:						
Derivative instruments - interest rate swaps	$ 14,749	$ —	$ 14,749	$ 7,174	$ —	$ 7,174
Other long-term liabilities:						
Derivative instruments - interest rate swaps	19,615	—	19,615	16,835	—	16,835
Total liability recurring fair value measurements	$ 34,364	$ —	$ 34,364	$ 24,009	$ —	$ 24,009

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 September 27, 2020 and December 29, 2019, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

Fair Value Measurements on a Nonrecurring Basis - Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to property, fixtures and equipment, operating lease right-of-use assets, goodwill and other intangible assets, which are remeasured when carrying value exceeds fair value. Carrying value after impairment approximates 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			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
(dollars in thousands)	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT
Assets held for sale (1)	$ —	$ —	$ 900	$ 100
Operating lease right-of-use assets (2)	—	(24)	293	622
Property, fixtures and equipment (3)	207	388	395	826
	$ 207	$ 364	$ 1,588	$ 1,548

	THIRTY-NINE WEEKS ENDED			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
(dollars in thousands)	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT
Assets held for sale (1)	$ 1,182	$ 75	$ 2,049	$ 315
Operating lease right-of-use assets (2)	70,841	23,567	2,649	2,988
Property, fixtures and equipment (3)	27,978	38,381	1,351	3,659
Goodwill and other assets (4)	748	2,683	—	—
	$ 100,749	$ 64,706	$ 6,049	$ 6,962

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(1) Assets generally measured using third-party market appraisals or executed sales contracts (Level 2).
(2) Carrying values measured using Level 2 inputs to estimate fair value totaled $0.2 million during the thirty-nine weeks ended September 29, 2019. All other assets were valued using Level 3 inputs. Third-party market appraisals (Level 2) and discounted cash flow models (Level 3) were used to estimate fair value.
(3) Carrying values measured using Level 2 inputs to estimate fair value totaled $2.2 million during the thirty-nine weeks ended September 27, 2020. All other assets were valued using Level 3 inputs. Third-party market appraisals (Level 2) and discounted cash flow models (Level 3) were used to estimate fair value.
(4) Other assets generally measured using the quoted market value of comparable assets (Level 2).

See Note 4 - *Impairments, Exit Costs and Disposals* for information regarding impairment charges resulting from the fair value measurement performed on a nonrecurring basis during the thirteen and thirty-nine weeks ended September 27, 2020. Projected future cash flows, including discount rate and growth rate assumptions, are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

In assessment of impairment for operating locations, the Company determined the fair values of individual operating locations using an income approach, which required discounting projected future cash flows. When determining the stream of projected future cash flows associated with an individual operating location, management made assumptions, including highest and best use and inputs from restaurant operations, where necessary, and about key variables including the following unobservable inputs: revenue growth rates, controllable and uncontrollable expenses, and asset residual values. In order to calculate the present value of those future cash flows, the Company discounted cash flow estimates at its weighted-average cost of capital applicable to the country in which the measured assets reside.

The following table presents quantitative information related to certain unobservable inputs used in the Company's Level 3 fair value measurements of Operating lease right-of-use assets and Property, fixtures and equipment for the impairment losses incurred during the periods indicated:

UNOBSERVABLE INPUTS	THIRTEEN WEEKS ENDED SEPTEMBER 27, 2020			THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020		
Weighted-average cost of capital		11.3%		10.4%	to	11.3%
Long-term growth rate	1.5%	to	2.0%	1.5%	to	2.0%

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 on its 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:

	SEPTEMBER 27, 2020		DECEMBER 29, 2019	
(dollars in thousands)	CARRYING VALUE	FAIR VALUE LEVEL 2	CARRYING VALUE	FAIR VALUE LEVEL 2
Senior Secured Credit Facility:				
Term loan A	$ 431,250	$ 418,313	$ 450,000	$ 450,563
Revolving credit facility	$ 555,000	$ 520,995	$ 599,000	$ 599,000
Convertible Senior Notes	$ 230,000	$ 349,455	$ —	$ —

18. Allowance for Expected Credit Losses

The following is a rollforward of the allowance for trade receivable expected credit losses for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 27, 2020	THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020
Allowance for credit losses, beginning of period	$ 4,566	$ 199
Adjustment for adoption of ASU No. 2016-13	—	1,018
Provision for expected credit losses	2	3,351
Charge-off of accounts	(29)	(29)
Allowance for credit losses, end of period	$ 4,539	$ 4,539

The Company is exposed to credit losses through its trade accounts receivable consisting primarily of amounts due for gift card, credit card, vendor, franchise and other receivables. Gift card, vendor and other receivables consist primarily of amounts due from gift card resellers and vendor rebates. Amounts due from franchisees consist of initial franchise fees, royalty income, and advertising fees. See Note 7 - *Other Current Assets, Net* for disclosure of trades receivables by category as of September 27, 2020 and December 29, 2019. Domestic credit card receivables are recorded within Cash and cash equivalents based on their short duration and reasonably assured settlement.

The Company evaluates the collectability of trade receivables based on historical loss experience and risk pool and records periodic adjustments for factors such as deterioration of economic conditions, specific customer circumstances and changes in the aging of accounts receivable balances. For risk pools where there was no established loss history, S&P speculative-grade default rates are utilized to calculate an estimated loss rate. Losses are charged off in the period in which they are determined to be uncollectable.

The financial condition of the Company's franchisees is largely dependent on the underlying business trends of its brands and market conditions within the casual dining restaurant industry. In March 2020, the Company fully reserved substantially all of its outstanding franchise receivables in response to the economic impact of the COVID-19 pandemic. See Note 2 - *COVID-19 Charges* for details regarding the impact of the COVID-19 pandemic on the Company's financial results.

The Company is also exposed to credit losses from off-balance sheet lease guarantees primarily related to the divestiture of certain formerly Company-owned restaurant sites. See Note 20 - *Commitments and Contingencies* for details regarding these lease guarantees.

19. Income Taxes

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
(Loss) income before (benefit) provision for income taxes	$ (32,554)	$ 8,713	$ (214,830)	$ 110,882
(Benefit) provision for income taxes	$ (14,776)	$ (660)	$ (70,210)	$ 6,051
Effective income tax rate	45.4 %	(7.6)%	32.7 %	5.5 %

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). Accordingly, the applicable provisions of the CARES Act have been reflected in the Company's tax provision for the thirteen and thirty-nine weeks ended September 27, 2020. The CARES Act, among other items, includes U.S. corporate tax provisions related to the deferment of employer social security payments, employee retention credits, net operating loss ("NOL") carryback periods, alternative minimum tax credits, modifications to interest deduction limitations and technical corrections on tax depreciation methods for qualified improvement property ("QIP").

The effective income tax rate for the thirteen and thirty-nine weeks ended September 27, 2020 increased by 53.0 and 27.2 percentage points as compared to the thirteen and thirty-nine weeks ended September 29, 2019. These increases were primarily due to the benefit of the tax credits for FICA taxes on certain employees' tips, the forecasted 2020 pre-tax book loss and changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters in 2020.

As of December 29, 2019, the Company had $128.6 million in general business tax credits carryforwards, which have a 20-year carryforward period and are utilized on a first-in, first-out basis. The Company expects to increase its general business credit carryforwards in 2020 by approximately $20 million to $30 million as a result of additional credits generated in 2020 and the application of the QIP technical correction enacted as part of the CARES Act. The Company currently expects to utilize these tax credit carryforwards within a 10 year period. However, the Company's ability to utilize these tax credits could be adversely impacted by, among other items, a future "ownership change" as defined under Section 382 of the Internal Revenue Code.

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen and thirty-nine weeks ended September 27, 2020 was higher than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips.

Deferred Taxes - During the thirty-nine weeks ended September 27, 2020, Deferred income tax assets, net increased by $73.3 million primarily as a result of losses incurred during the period and tax credits for FICA taxes on certain employees' tips.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

20. Commitments and Contingencies

Litigation and Other Matters - The Company had $5.2 million and $3.0 million of liabilities recorded for various legal matters as of September 27, 2020 and December 29, 2019, 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 September 27, 2020, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately $29.0 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of September 27, 2020 was approximately $20.7 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.

In March 2020, the Company recorded $4.2 million of additional contingent lease liability in response to the economic impact of the COVID-19 pandemic. As of September 27, 2020, the Company's recorded contingent lease liability was $9.7 million. See Note 2 - *COVID-19 Charges* for details regarding the impact of the COVID-19 pandemic on the Company's financial results.

During the third quarter of 2020, the Company received notices of default pertaining to three leases of divested restaurant properties in circumstances where the Company is contingently liable for the unpaid rent of the current operators. The Company is in communication with these operators and has encouraged the operators to negotiate with their landlords to defer or resolve payments. The Company believes losses above its recorded reserve are not probable at this time but will continue to closely monitor and assess this situation.

21. 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 Chief Executive Officer ("CEO"), whom the Company has determined to be its Chief Operating Decision Maker ("CODM"). The Company aggregates its operating segments into two reportable segments, U.S. and international. The U.S. segment includes all 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 Carrabba's Italian Grill Bonefish Grill Fleming's Prime Steakhouse & Wine Bar	United States of America
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 29, 2019. Revenues for all segments include only transactions with customers and exclude intersegment revenues. Excluded from Income (loss) 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.

During the thirteen and thirty-nine weeks ended September 27, 2020, the Company recorded $4.2 million and $28.8 million, respectively, of pre-tax charges as a part of transformational initiatives implemented in connection with its previously announced review of strategic alternatives. These costs were primarily recorded within General and administrative expense and Provision for impaired assets and restaurant closings and were not allocated to the Company's segments since the Company's CODM does not consider the impact of transformational initiatives when assessing segment performance.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Total revenues				
U.S.	$ 721,738	$ 848,444	$ 2,153,315	$ 2,777,170
International	49,522	118,700	204,741	340,035
Total revenues	$ 771,260	$ 967,144	$ 2,358,056	$ 3,117,205

The following table is a reconciliation of Segment income (loss) from operations to (Loss) income before (benefit) provision for income taxes, for the periods indicated:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Segment income (loss) from operations				
U.S.	$ 29,574	$ 50,318	$ (21,968)	$ 242,167
International	(7,926)	10,550	(18,209)	31,179
Total segment income (loss) from operations	21,648	60,868	(40,177)	273,346
Unallocated corporate operating expense	(35,903)	(38,910)	(127,558)	(125,434)
Total (loss) income from operations	(14,255)	21,958	(167,735)	147,912
Loss on modification of debt	—	—	(237)	—
Other income (expense), net	1	11	(211)	(145)
Interest expense, net	(18,300)	(13,256)	(46,647)	(36,885)
(Loss) income before (benefit) provision for income taxes	$ (32,554)	$ 8,713	$ (214,830)	$ 110,882

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Depreciation and amortization				
U.S.	$ 35,056	$ 36,670	$ 110,004	$ 114,372
International	5,672	7,201	18,314	20,406
Corporate	2,689	4,055	9,151	12,418
Total depreciation and amortization	$ 43,417	$ 47,926	$ 137,469	$ 147,196

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" or, in each case, 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) The severity, extent and duration of the COVID-19 pandemic, its impacts on our business and results of operations, financial condition and liquidity, including any adverse impact on our stock price and on the other factors listed below, and the responses of domestic and foreign federal, state and local governments to the pandemic;

(ii) Consumer reactions to public health and food safety issues;

(iii) Our ability to compete in the highly competitive restaurant industry with many well-established competitors and new market entrants;

(iv) Minimum wage increases and additional mandated employee benefits;

(v) Economic conditions and their effects on consumer confidence and discretionary spending, consumer traffic, the cost and availability of credit and interest rates;

(vi) 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;

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

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

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

(x) 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;

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

(xii) 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;

(xiii) 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;

(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; and

(xvi) 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 29, 2019 and Part I, Item IA. Risk Factors in this Report.

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.

Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of September 27, 2020, we owned and operated 1,152 restaurants and franchised 312 restaurants across 47 states, Puerto Rico, Guam and 20 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

Executive Summary

Our financial results for the thirteen weeks ended September 27, 2020 ("third quarter of 2020") include the following:

- A decrease in Total revenues of 20.3% in the third quarter of 2020, as compared to the third quarter of 2019, primarily due to: (i) significantly lower comparable restaurant sales and franchise revenues principally attributable to the COVID-19 pandemic, (ii) the net impact of restaurant closures and openings and (iii) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar.

- Loss from operations of $(14.3) million in the third quarter of 2020, as compared to income from operations of $22.0 million in the third quarter of 2019, was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including incremental delivery related costs, and (ii) certain costs incurred in connection with our transformation initiatives. These decreases are partially offset by: (i) reduced advertising, utilities and operating expenses, (ii) a reduction in prep labor hours, offset by higher labor costs, and (iii) cost savings from waste reduction initiatives.

Recent Developments - COVID-19

In response to the COVID-19 pandemic, governmental authorities took dramatic action in an effort to slow the spread of the disease. Along with many other restaurant businesses across the country, we temporarily limited our services in the U.S. to carry-out and delivery only beginning March 20, 2020. In early May 2020, we began to reopen our restaurant dining rooms with limited seating capacity in compliance with state and local regulations. As of September 27, 2020, our restaurant dining rooms have reopened but many are still subject to seating capacity restrictions. The temporary closure of our dining rooms and the limitations on seating capacity in our reopened dining rooms has resulted in significantly reduced traffic in our restaurants.

It remains uncertain whether customer traffic will return to levels prior to the outbreak of COVID-19. Even if consumer demand fully recovers, governmental restrictions may continue to limit the capacity of our dining rooms or services we may provide in the future. As a result, our results for the foreseeable future may be significantly adversely impacted.

In response to the pandemic, we have tightly managed expenses while taking steps to secure our liquidity position. See the subsection below entitled "*Liquidity and Capital Resources*" for further 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, (Loss) income from operations, Net (loss) income and Diluted (loss) earnings per share* — financial measures utilized to evaluate our operating performance.

  Restaurant-level operating margin is widely regarded in the industry as a useful metric to evaluate restaurant level operating efficiency and performance of ongoing restaurant-level operations, and we use it for these purposes, overall and particularly within our two segments. Our restaurant-level operating margin is expressed as the percentage of our Restaurant sales that Food and beverage costs, Labor and other related and Other restaurant operating (including advertising expenses) represent, in each case as such items are reflected in our Consolidated Statements 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 (loss) income or (Loss) 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 (loss) income from operations, Adjusted net (loss) income and Adjusted diluted (loss) 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.

Selected Operating Data

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

Number of restaurants (at end of the period):	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
U.S.:		
Outback Steakhouse		
Company-owned	567	579
Franchised	140	147
Total	707	726
Carrabba's Italian Grill		
Company-owned	199	204
Franchised	21	21
Total	220	225
Bonefish Grill		
Company-owned	181	190
Franchised	7	7
Total	188	197
Fleming's Prime Steakhouse and Wine Bar		
Company-owned	65	69
Other		
Company-owned	5	3
U.S. total	1,185	1,220
International:		
Company-owned		
Outback Steakhouse—Brazil (1)	104	99
Other (2)	31	28
Franchised		
Outback Steakhouse—South Korea (2)	88	70
Other (3)	56	54
International total	279	251
System-wide total	1,464	1,471

(1) The restaurant counts for Brazil are reported as of August 31, 2020 and 2019, respectively, to correspond with the balance sheet dates of this subsidiary.
(2) As of September 27, 2020, we had 14 international "dark kitchen" locations that offer delivery and carry-out only. One of these locations was included within Company-owned Other and 13 were included in Franchised Outback Steakhouse - South Korea.
(3) Includes three and two fast-casual Aussie Grill locations as of September 27, 2020 and September 29, 2019, respectively.

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		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Revenues				
Restaurant sales	99.4 %	98.4 %	99.2 %	98.5 %
Franchise and other revenues	0.6	1.6	0.8	1.5
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses				
Food and beverage costs (1)	30.1	31.6	31.3	31.4
Labor and other related (1)	32.2	30.3	32.6	29.6
Other restaurant operating (1)	27.0	25.3	27.0	23.9
Depreciation and amortization	5.6	5.0	5.8	4.7
General and administrative	7.4	6.9	8.4	6.7
Provision for impaired assets and restaurant closings	(*)	0.1	2.8	0.2
Total costs and expenses	101.8	97.7	107.1	95.3
(Loss) income from operations	(1.8)	2.3	(7.1)	4.7
Loss on modification of debt	—	—	(*)	—
Other income (expense), net	*	*	(*)	(*)
Interest expense, net	(2.4)	(1.4)	(2.0)	(1.1)
(Loss) income before (benefit) provision for income taxes	(4.2)	0.9	(9.1)	3.6
(Benefit) provision for income taxes	(1.9)	(0.1)	(3.0)	0.2
Net (loss) income	(2.3)	1.0	(6.1)	3.4
Less: net (loss) income attributable to noncontrolling interests	(*)	*	(*)	0.1
Net (loss) income attributable to Bloomin' Brands	(2.3)%	1.0 %	(6.1)%	3.3 %

(1) As a percentage of Restaurant sales.
* Less than 1/10th of one percent of Total revenues.

RESTAURANT SALES

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

(dollars in millions)	THIRTEEN WEEKS ENDED	THIRTY-NINE WEEKS ENDED
For the periods ended September 29, 2019	$ 951.8	$ 3,069.1
Change from:		
Comparable restaurant sales	(157.6)	(661.3)
Restaurant closures	(17.5)	(42.0)
Effect of foreign currency translation	(12.6)	(31.4)
Divestiture of restaurants through refranchising transactions	—	(11.2)
Restaurant openings	2.4	15.8
For the periods ended September 27, 2020	$ 766.5	$ 2,339.0

The decrease in Restaurant sales during the thirteen weeks ended September 27, 2020 was primarily due to: (i) significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic, (ii) the closure of 43 restaurants since June 30, 2019 and (iii) the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar.

The decrease in Restaurant sales during the thirty-nine weeks ended September 27, 2020 was primarily due to: (i) significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic, (ii) the closure of 51 restaurants since December 30, 2018, (iii) the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar and (iv) domestic refranchising. The decrease in Restaurant sales was partially offset by the opening of 31 new restaurants not included in our comparable restaurant sales base.

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		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Average restaurant unit volumes (weekly):				
U.S.				
Outback Steakhouse	$ 59,929	$ 66,084	$ 58,771	$ 70,925
Carrabba's Italian Grill	$ 47,940	$ 51,989	$ 46,230	$ 56,185
Bonefish Grill	$ 42,439	$ 53,549	$ 40,988	$ 59,066
Fleming's Prime Steakhouse & Wine Bar	$ 58,989	$ 71,954	$ 59,014	$ 81,695
International				
Outback Steakhouse - Brazil (1)	$ 23,919	$ 72,791	$ 36,884	$ 71,459
Operating weeks:				
U.S.				
Outback Steakhouse	7,365	7,527	22,330	22,592
Carrabba's Italian Grill	2,587	2,653	7,887	8,212
Bonefish Grill	2,366	2,470	7,300	7,395
Fleming's Prime Steakhouse & Wine Bar	845	897	2,575	2,717
International				
Outback Steakhouse - Brazil	1,358	1,297	4,015	3,750

(1) Translated at average exchange rates of 5.34 and 3.88 for the thirteen weeks ended September 27, 2020 and September 29, 2019, respectively, and 4.60 and 3.86 for the thirty-nine weeks ended September 27, 2020 and September 29, 2019, respectively.

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		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Year over year percentage change:				
Comparable restaurant sales (stores open 18 months or more):				
U.S. (1)				
Outback Steakhouse	(10.4)%	0.2 %	(17.4)%	1.7 %
Carrabba's Italian Grill	(9.0)%	0.1 %	(18.1)%	(0.4)%
Bonefish Grill	(22.5)%	(2.2)%	(31.0)%	— %
Fleming's Prime Steakhouse & Wine Bar	(20.3)%	0.4 %	(29.7)%	0.8 %
Combined U.S.	(12.8)%	(0.2)%	(20.7)%	1.0 %
International				
Outback Steakhouse - Brazil (2)	(54.8)%	11.2 %	(36.9)%	6.1 %
Traffic:				
U.S.				
Outback Steakhouse	(13.6)%	(1.1)%	(18.1)%	(1.1)%
Carrabba's Italian Grill	(11.7)%	0.5 %	(15.1)%	(0.8)%
Bonefish Grill (3)	(14.7)%	(2.9)%	(19.4)%	(2.1)%
Fleming's Prime Steakhouse & Wine Bar	(23.3)%	(0.3)%	(26.6)%	0.6 %
Combined U.S. (3)	(13.6)%	(1.0)%	(17.9)%	(1.1)%
International				
Outback Steakhouse - Brazil	(37.6)%	10.0 %	(25.9)%	2.8 %
Average check per person (4):				
U.S.				
Outback Steakhouse	3.2 %	1.3 %	0.7 %	2.8 %
Carrabba's Italian Grill	2.7 %	(0.4)%	(3.0)%	0.4 %
Bonefish Grill	(7.8)%	0.7 %	(11.6)%	2.1 %
Fleming's Prime Steakhouse & Wine Bar	3.0 %	0.7 %	(3.1)%	0.2 %
Combined U.S.	0.8 %	0.8 %	(2.8)%	2.1 %
International				
Outback Steakhouse - Brazil	(16.2)%	0.8 %	(11.0)%	3.3 %

(1) Relocated restaurants closed more than 60 days are excluded from comparable restaurant sales until at least 18 months after reopening.
(2) Excludes the effect of fluctuations in foreign currency rates. Includes trading day impact from calendar period reporting.
(3) In Q2 2020, Bonefish Grill replaced guest count with entrée count to measure restaurant traffic. Bonefish Grill and Combined U.S. traffic for the thirty-nine weeks ended September 27, 2020 were calculated using the entrée count methodology for Bonefish Grill as if the new methodology was in effect at the start of the fiscal year, which would have increased traffic for Bonefish Grill and Combined U.S. for the thirteen weekend ended March 29, 2020 by 3.1% and 0.5%, respectively.
(4) Average check per person includes the impact of menu pricing changes, product mix and discounts.

Franchise and other revenues

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Franchise revenues (1)	$ 4.2	$ 12.4	$ 15.7	$ 39.0
Other revenues	0.6	2.9	3.4	9.1
Franchise and other revenues	$ 4.8	$ 15.3	$ 19.1	$ 48.1

(1) Represents franchise royalties, advertising fees and initial franchise fees. Franchise revenues declined during the thirteen and thirty-nine weeks ended September 27, 2020 primarily due to lower franchise sales and deferral of certain royalties and advertising fees.

COSTS AND EXPENSES

Food and beverage costs

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Food and beverage costs	$ 230.5	$ 300.4		$ 731.0	$ 965.2	
% of Restaurant sales	30.1 %	31.6 %	(1.5)%	31.3 %	31.4 %	(0.1)%

Food and beverage costs decreased as a percentage of Restaurant sales during the thirteen weeks ended September 27, 2020 as compared to the thirteen weeks ended September 29, 2019 primarily due to 0.9% from increases in average check per person and 0.8% from cost savings attributable to waste reduction initiatives.

Food and beverage costs decreased as a percentage of Restaurant sales during the thirty-nine weeks ended September 27, 2020 as compared to the thirty-nine weeks ended September 29, 2019 primarily due to 0.4% from increases in average check per person and 0.3% from cost savings attributable to waste reduction initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.3% from commodity inflation and 0.2% related to a reduction in vendor rebates.

Labor and other related expenses

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Labor and other related	$ 246.9	$ 288.6		$ 761.7	$ 908.8	
% of Restaurant sales	32.2 %	30.3 %	1.9 %	32.6 %	29.6 %	3.0 %

Labor and other related expenses increased as a percentage of Restaurant sales during the thirteen weeks ended September 27, 2020 as compared to the thirteen weeks ended September 29, 2019 primarily due to: (i) 2.6% from decreased restaurant sales, (ii) 0.6% from higher labor costs and (iii) 0.3% from employee benefits in response to COVID-19. These increases were partially offset by a decrease as a percentage of Restaurant sales of 1.8% from lower prep labor hours.

Labor and other related expenses increased as a percentage of Restaurant sales during the thirty-nine weeks ended September 27, 2020 as compared to the thirty-nine weeks ended September 29, 2019 primarily due to: (i) 3.1% from decreased restaurant sales, (ii) 1.2% from relief pay primarily for hourly employees impacted by the closure of dining rooms due to COVID-19, offset by employee retention tax credits, and (iii) 0.5% from higher labor costs. These increases were partially offset by a decrease as a percentage of Restaurant sales of 1.7% from lower prep labor hours.

Other restaurant operating expenses

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Other restaurant operating	$ 207.3	$ 240.4		$ 631.7	$ 732.1	
% of Restaurant sales	27.0 %	25.3 %	1.7 %	27.0 %	23.9 %	3.1 %

Other restaurant operating expenses increased as a percentage of Restaurant sales during the thirteen weeks ended September 27, 2020 as compared to the thirteen weeks ended September 29, 2019 primarily due to: (i) the impact of dining room seating capacity restrictions as a result of the COVID-19 pandemic including, 2.5% from decreased restaurant sales and 1.9% from incremental delivery related costs, (ii) 0.5% from gains on the sale of certain U.S. surplus properties in 2019 and (iii) 0.2% from menu printing costs. These increases were partially offset by a decrease as a percentage of Restaurant sales of 3.3% from reduced advertising, utilities and operating expenses.

Other restaurant operating expenses increased as a percentage of Restaurant sales during the thirty-nine weeks ended September 27, 2020 as compared to the thirty-nine weeks ended September 29, 2019 primarily due to the impact of shifting to an off-premise only operational model in March 2020 and dining room seating capacity restrictions as a result of the COVID-19 pandemic including, 3.0% from decreased restaurant sales and 1.9% from incremental delivery related costs. These increases were partially offset by a decrease as a percentage of Restaurant sales of 1.8% from reduced advertising, utilities and operating expenses.

Depreciation and amortization

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Depreciation and amortization	$ 43.4	$ 47.9	$ (4.5)	$ 137.5	$ 147.2	$ (9.7)

Depreciation and amortization expense decreased during the periods presented primarily due to impairment and the effect of foreign currency translation.

General and administrative

General and administrative expense includes salaries and benefits, management incentive programs, related payroll tax and benefits, other employee-related costs and professional services. Following is a summary of the change in General and administrative expense for the periods indicated:

(dollars in millions)	THIRTEEN WEEKS ENDED	THIRTY-NINE WEEKS ENDED
For the periods ended September 29, 2019	$ 66.6	$ 209.1
Change from:		
Compensation, benefits and payroll tax	(3.6)	(9.6)
Legal and professional fees	(1.7)	(5.7)
Foreign currency exchange	(1.3)	(3.0)
Severance	(0.8)	4.5
Travel and entertainment (1)	(0.5)	(8.0)
Expected credit losses and contingent lease liabilities	—	7.4
Transformational costs (2)	1.1	8.6
Deferred compensation	0.2	(3.3)
Other	(2.6)	(2.3)
For the periods ended September 27, 2020	$ 57.4	$ 197.7

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(1) Includes managing partner conference costs.
(2) Primarily consists of consulting fees incurred in connection with our transformation initiatives.

Provision for impaired assets and restaurant closings

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	Change	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019	Change
Provision for impaired assets and restaurant closings	$ (0.1)	$ 1.4	$ (1.5)	$ 66.2	$ 6.9	$ 59.3

During the thirty-nine weeks ended September 27, 2020, we recognized asset impairment and closure charges of $56.4 million and $3.6 million within the U.S. and international segments, respectively, primarily related to the COVID-19 pandemic. Included in the amount for the thirty-nine weeks ended September 27, 2020 were pre-tax asset impairments and closure costs of $20.9 million in connection with the closure of 22 restaurants and from the update of certain cash flow assumptions, including lease renewal considerations. We also recognized asset impairment charges during the thirty-nine weeks ended September 27, 2020 of $6.2 million which were not allocated to our operating segments, primarily related to transformational initiatives.

Impairment and closure charges during the thirteen and thirty-nine weeks ended September 29, 2019 resulted primarily from locations identified for remodel, relocation or closure and certain other assets.

See Note 4 - *Impairments, Exit Costs and Disposals* of the Notes to Consolidated Financial Statements for further information.

(Loss) income from operations

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
(Loss) income from operations	$ (14.3)	$ 22.0	$ (36.3)	$ (167.7)	$ 147.9	$ (315.6)
% of Total revenues	(1.8)%	2.3 %	(4.1)%	(7.1)%	4.7 %	(11.8)%

Loss from operations generated during the thirteen weeks ended September 27, 2020, as compared to income from operations during the thirteen weeks ended September 29, 2019 was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including incremental delivery related costs, and (ii) certain costs in connection with our transformation initiatives. These losses were partially offset by: (i) reduced advertising, utilities and operating expenses, (ii) a reduction in prep labor hours, offset by higher labor costs, and (iii) cost savings from waste reduction initiatives.

Loss from operations generated during the thirty-nine weeks ended September 27, 2020, as compared to income from operations during the thirty-nine weeks ended September 29, 2019 was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including asset impairment charges, incremental delivery related costs and relief pay (net of tax credits), and (ii) commodity inflation. These losses were partially offset by: (i) reduced advertising, utilities and operating expenses, (ii) a reduction in prep labor hours, offset by higher labor costs, and (iii) cost savings from waste reduction initiatives.

Interest expense, net

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Interest expense, net	$ 18.3	$ 13.3	$ 5.0	$ 46.6	$ 36.9	$ 9.7

The increase in Interest expense, net for the thirteen weeks ended September 27, 2020 as compared to the thirteen weeks ended September 29, 2019 was primarily due to interest expense from our convertible senior notes issued in May 2020, partially offset by lower outstanding revolving credit facility borrowings and lower interest rates on our unhedged variable rate debt balances.

The increase in Interest expense, net for the thirty-nine weeks ended September 27, 2020 as compared to the thirty-nine weeks ended September 29, 2019 was primarily due to interest expense from our convertible senior notes issued in May 2020 and additional draws on our revolving credit facility, partially offset by lower interest rates on our unhedged variable rate debt balances.

(Benefit) provision for income taxes

	THIRTEEN WEEKS ENDED			THIRTY-NINE WEEKS ENDED		
	SEPTEMBER 27, 2020	**SEPTEMBER 29, 2019**	**Change**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**Change**
Effective income tax rate	45.4 %	(7.6)%	53.0 %	32.7 %	5.5 %	27.2 %

The effective income tax rate for the thirteen and thirty-nine weeks ended September 27, 2020 increased by 53.0 and 27.2 percentage points as compared to the thirteen and thirty-nine weeks ended September 29, 2019. These increases were primarily due to the benefit of the tax credits for FICA taxes on certain employees' tips, the forecasted 2020 pre-tax book loss and changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters in 2020.

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 Carrabba's Italian Grill Bonefish Grill Fleming's Prime Steakhouse & Wine Bar	United States of America
International	Outback Steakhouse	Brazil, Hong Kong/China
	Carrabba's Italian Grill (Abbraccio)	Brazil

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(1) Includes franchise locations.

Revenues for both segments include only transactions with customers and exclude intersegment revenues. Excluded from Income (loss) 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.

During the thirteen and thirty-nine weeks ended September 27, 2020, we recorded $4.2 million and $28.8 million, respectively, of pre-tax charges as a part of transformational initiatives implemented in connection with our previously announced review of strategic alternatives. These costs were primarily recorded within General and administrative expense and Provision for impaired assets and restaurant closings and were not allocated to our segments since our CODM does not consider the impact of transformational initiatives when assessing segment performance.

Refer to Note 21 - *Segment Reporting* of the Notes to Consolidated Financial Statements for a reconciliation of segment income (loss) from operations to the consolidated operating results.

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

U.S. Segment

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Revenues				
Restaurant sales	$ 719,406	$ 835,753	$ 2,141,062	$ 2,737,182
Franchise and other revenues	2,332	12,691	12,253	39,988
Total revenues	$ 721,738	$ 848,444	$ 2,153,315	$ 2,777,170
Restaurant-level operating margin	11.4 %	12.0 %	9.4 %	14.5 %
Income (loss) from operations	$ 29,574	$ 50,318	$ (21,968)	$ 242,167
Operating income (loss) margin	4.1 %	5.9 %	(1.0)%	8.7 %

Restaurant sales

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

(dollars in millions)	**THIRTEEN WEEKS ENDED**	**THIRTY-NINE WEEKS ENDED**
For the periods ended September 29, 2019	$ 835.8	$ 2,737.2
Change from:		
Comparable restaurant sales	(101.0)	(550.0)
Restaurant closures	(16.9)	(39.8)
Divestiture of restaurants through refranchising transactions	—	(11.2)
Restaurant openings	1.5	4.9
For the periods ended September 27, 2020	$ 719.4	$ 2,141.1

The decrease in U.S. Restaurant sales during the thirteen weeks ended September 27, 2020 was primarily due to significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic and the closure of 34 restaurants since June 30, 2019.

The decrease in U.S. Restaurant sales during the thirty-nine weeks ended September 27, 2020 was primarily due to: (i) significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic, (ii) the closure of 42 restaurants since December 30, 2018 and (iii) the refranchising of certain Company-owned restaurants. The decrease in U.S. Restaurant sales was partially offset by the opening of nine new restaurants not included in our comparable restaurant sales base.

Income (loss) from operations

The decrease in U.S. income from operations generated during the thirteen weeks ended September 27, 2020 as compared to the thirteen weeks ended September 29, 2019, was primarily due to significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including incremental delivery related costs. These losses were partially offset by: (i) reduced advertising, operating and utilities expenses, (ii) a reduction in prep labor hours, offset by higher labor costs, and (iii) cost savings from waste reduction initiatives.

U.S. loss from operations generated during the thirty-nine weeks ended September 27, 2020, as compared to income from operations during the thirty-nine weeks ended September 29, 2019, was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including asset impairment charges, incremental delivery related costs and relief pay (net of tax credits) and (ii) commodity inflation. These losses were partially offset by: (i) reduced advertising, utilities and operating expenses, (ii) a reduction in prep labor hours, offset by higher labor costs, and (iii) cost savings from waste reduction initiatives.

International Segment

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 27, 2020	THIRTEEN WEEKS ENDED SEPTEMBER 29, 2019	THIRTY-NINE WEEKS ENDED SEPTEMBER 27, 2020	THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 2019
Revenues				
Restaurant sales	$ 47,081	$ 116,063	$ 197,923	$ 331,963
Franchise and other revenues	2,441	2,637	6,818	8,072
Total revenues	$ 49,522	$ 118,700	$ 204,741	$ 340,035
Restaurant-level operating margin	(1.5)%	18.7 %	5.7 %	19.8 %
(Loss) income from operations	$ (7,926)	$ 10,550	$ (18,209)	$ 31,179
Operating (loss) income margin	(16.0)%	8.9 %	(8.9)%	9.2 %

Restaurant sales

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

(dollars in millions)	THIRTEEN WEEKS ENDED	THIRTY-NINE WEEKS ENDED
For the periods ended September 29, 2019	$ 116.0	$ 331.9
Change from:		
Comparable restaurant sales	(56.6)	(111.3)
Effect of foreign currency translation	(12.6)	(31.4)
Restaurant closures	(0.6)	(2.2)
Restaurant openings	0.9	10.9
For the periods ended September 27, 2020	$ 47.1	$ 197.9

The decrease in international Restaurant sales during the thirteen weeks ended September 27, 2020 was primarily due to significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic and the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar.

The decrease in international Restaurant sales during the thirty-nine weeks ended September 27, 2020 was primarily due to significantly lower comparable restaurant sales principally attributable to the COVID-19 pandemic and the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar. The decrease in Restaurant sales was partially offset by the opening of 22 new restaurants not included in our comparable restaurant sales base.

(Loss) income from operations

International loss from operations generated during the thirteen weeks ended September 27, 2020, as compared to income from operations during the thirteen weeks ended September 29, 2019, was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including incremental delivery related costs, and (ii) commodity inflation. These decreases were partially offset by reduced utilities, operating and advertising expenses and lower labor costs.

International loss from operations generated during the thirty-nine weeks ended September 27, 2020, as compared to income from operations during the thirty-nine weeks ended September 29, 2019, was primarily due to: (i) significantly lower comparable restaurant sales and costs incurred in connection with the COVID-19 pandemic, including incremental delivery related costs and inventory obsolescence, and (ii) commodity inflation. These decreases were partially offset by reduced utilities, operating and advertising expenses and lower labor costs.

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 3 - *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.

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in millions)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
U.S.				
Outback Steakhouse	$ 76	$ 118	$ 250	$ 381
Carrabba's Italian Grill (1)	8	11	25	28
Bonefish Grill	2	3	6	10
U.S. total	$ 86	$ 132	$ 281	$ 419
International				
Outback Steakhouse-South Korea	$ 64	$ 50	$ 174	$ 154
Other	19	25	45	78
International total	$ 83	$ 75	$ 219	$ 232
Total franchise sales (2)	$ 169	$ 207	$ 500	$ 651

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(1) In March 2019, we sold 18 Carrabba's Italian Grill locations, which are now operated as franchises.
(2) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

Adjusted restaurant-level operating margin - The following tables show the percentages of certain operating cost financial statement line items in relation to Restaurant sales:

	THIRTEEN WEEKS ENDED			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
	U.S. GAAP	ADJUSTED	U.S. GAAP	ADJUSTED (1)
Restaurant sales	100.0 %	100.0 %	100.0 %	100.0 %
Food and beverage costs	30.1 %	30.1 %	31.6 %	31.6 %
Labor and other related	32.2 %	32.2 %	30.3 %	30.3 %
Other restaurant operating	27.0 %	27.0 %	25.3 %	25.6 %
Restaurant-level operating margin	10.7 %	10.7 %	12.9 %	12.5 %

	THIRTY-NINE WEEKS ENDED			
	SEPTEMBER 27, 2020		SEPTEMBER 29, 2019	
	U.S. GAAP	ADJUSTED (1)	U.S. GAAP	ADJUSTED (1)
Restaurant sales	100.0 %	100.0 %	100.0 %	100.0 %
Food and beverage costs	31.3 %	30.9 %	31.4 %	31.4 %
Labor and other related	32.6 %	32.6 %	29.6 %	29.6 %
Other restaurant operating	27.0 %	27.0 %	23.9 %	24.0 %
Restaurant-level operating margin	9.2 %	9.5 %	15.1 %	15.0 %

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(1) Includes unfavorable (favorable) adjustments recorded in Other restaurant operating expense (unless otherwise noted below) for the following activities, as described in the *Adjusted (loss) income from operations, Adjusted net (loss) income and Adjusted diluted (loss) earnings per share* table below for the periods indicated:

		THIRTY-NINE WEEKS ENDED	
(dollars in millions)	THIRTEEN WEEKS ENDED SEPTEMBER 29, 2019	SEPTEMBER 27, 2020	SEPTEMBER 29, 2019
Restaurant and asset impairments and closing costs	$ 3.8	$ 2.8	$ 4.0
Restaurant relocations and related costs	(0.1)	(0.1)	(0.4)
COVID-19 related costs (1)	—	(9.9)	—
	$ 3.7	$ (7.2)	$ 3.6

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(1) Includes $7.3 million of adjustments recorded in Food and beverage costs.

Restaurant-level operating margin - The following tables reconcile consolidated and segment (Loss) income from operations and the corresponding margins to Restaurant-level operating income and the corresponding margins for the periods indicated:

Consolidated	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
(Loss) income from operations	$ (14,255)	$ 21,958	$ (167,735)	$ 147,912
Operating (loss) income margin	(1.8)%	2.3 %	(7.1)%	4.7 %
Less:				
Franchise and other revenues	4,773	15,328	19,071	48,060
Plus:				
Depreciation and amortization	43,417	47,926	137,469	147,196
General and administrative	57,443	66,570	197,732	209,114
Provision for impaired assets and restaurant closings	(54)	1,391	66,223	6,917
Restaurant-level operating income	$ 81,778	$ 122,517	$ 214,618	$ 463,079
Restaurant-level operating margin	10.7 %	12.9 %	9.2 %	15.1 %

U.S.	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Income (loss) from operations	$ 29,574	$ 50,318	$ (21,968)	$ 242,167
Operating income (loss) margin	4.1 %	5.9 %	(1.0)%	8.7 %
Less:				
Franchise and other revenues	2,332	12,691	12,253	39,988
Plus:				
Depreciation and amortization	35,057	36,670	110,005	114,372
General and administrative	19,732	24,405	68,955	77,078
Provision for impaired assets and restaurant closings	(86)	1,351	56,389	3,503
Restaurant-level operating income	$ 81,945	$ 100,053	$ 201,128	$ 397,132
Restaurant-level operating margin	11.4 %	12.0 %	9.4 %	14.5 %

International	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
(Loss) income from operations	$ (7,926)	$ 10,550	$ (18,209)	$ 31,179
Operating (loss) income margin	(16.0)%	8.9 %	(8.9)%	9.2 %
Less:				
Franchise and other revenues	2,441	2,637	6,818	8,072
Plus:				
Depreciation and amortization	5,672	7,201	18,314	20,406
General and administrative	4,011	6,542	14,413	20,311
Provision for impaired assets and restaurant closings	—	39	3,640	1,840
Restaurant-level operating (loss) income	$ (684)	$ 21,695	$ 11,340	$ 65,664
Restaurant-level operating margin	(1.5)%	18.7 %	5.7 %	19.8 %

Adjusted (loss) income from operations, Adjusted net (loss) income and Adjusted diluted (loss) earnings per share

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(in thousands, except per share data)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
(Loss) income from operations	$ (14,255)	$ 21,958	$ (167,735)	$ 147,912
Operating (loss) income margin	(1.8)%	2.3 %	(7.1)%	4.7 %
Adjustments:				
Severance and other transformational costs (1)	4,200	1,908	28,847	5,511
COVID-19 related costs (2)	—	—	79,218	—
Restaurant relocations and related costs (3)	—	477	592	2,461
Legal and contingent matters	—	815	178	815
Restaurant and asset impairments and closing costs (4)	—	(3,072)	(2,797)	1,098
Total (loss) income from operations adjustments	$ 4,200	$ 128	$ 106,038	$ 9,885
Adjusted (loss) income from operations	$ (10,055)	$ 22,086	$ (61,697)	$ 157,797
Adjusted operating (loss) income margin	(1.3)%	2.3 %	(2.6)%	5.1 %
Net (loss) income attributable to common stockholders	$ (17,637)	$ 9,248	$ (148,000)	$ 102,569
Adjustments:				
(Loss) income from operations adjustments	4,200	128	106,038	9,885
Amortization of debt discount (5)	2,407	—	3,786	—
Total adjustments, before income taxes	6,607	128	109,824	9,885
Adjustment to provision for income taxes (6)	440	(471)	(28,029)	(1,703)
Redemption of preferred stock in excess of carrying value (7)	—	—	3,496	—
Net adjustments	7,047	(343)	85,291	8,182
Adjusted net (loss) income	$ (10,590)	$ 8,905	$ (62,709)	$ 110,751
Diluted (loss) earnings per share attributable to common stockholders (8)	$ (0.20)	$ 0.11	$ (1.69)	$ 1.14
Adjusted diluted (loss) earnings per share (8)	$ (0.12)	$ 0.10	$ (0.72)	$ 1.23
Diluted weighted average common shares outstanding (8)	87,558	87,305	87,394	90,306

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(1) Severance and other costs incurred as a result of transformational and restructuring activities.

(2) Costs incurred in connection with the economic impact of the COVID-19 pandemic, primarily consisting of fixed asset and right-of-use asset impairments, restructuring charges, inventory obsolescence and spoilage, contingent lease liabilities and current expected credit losses. See Note 2 - *COVID-19 Charges* of the Notes to Consolidated Financial Statements for additional details regarding the impact of certain COVID-19 pandemic related charges on our financial results.

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

(4) Includes a lease termination gain of $2.8 million during the thirty-nine weeks ended September 27, 2020 and asset impairment charges and related costs primarily related to approved closure and restructuring initiatives during 2019. Amount also includes gains on the sale of certain surplus properties of $3.8 million during 2019.

(5) Amortization of the debt discount related to the issuance of the 2025 Notes. See Note 12 - *Convertible Senior Notes* of the Notes to Consolidated Financial Statements for details.

(6) Income tax effect of the adjustments for the periods presented.

(7) Consideration paid in excess of the carrying value for the redemption of preferred stock of our Abbraccio subsidiary.

(8) Due to the net loss, the effect of dilutive securities was excluded from the calculation of diluted and adjusted diluted loss per share for the thirteen and thirty-nine weeks ended September 27, 2020.

Liquidity and Capital Resources

LIQUIDITY

Typically, cash flows generated from operating activities and availability under our revolving credit facility are our principal sources of liquidity, which we use for operating expenses, payments on our debt, remodeling or relocating older restaurants, obligations related to our deferred compensation plans and investment in technology. During 2020, the temporary closure of our dining rooms and the limitations on seating capacity due to the COVID-19 pandemic has resulted in significantly reduced traffic in our restaurants which has negatively impacted our operating cashflows.

In response to the COVID-19 pandemic, we have tightly managed expenses while prioritizing support of our workforce, off-premises business and the safe reopening of our restaurant dining rooms. In addition, we have taken several precautionary measures to preserve liquidity, including the following:

- suspended our quarterly cash dividend and stock repurchases;
- significantly reduced marketing and tightly managed other expenses;
- substantially limited capital expenditures to facility maintenance in support of our off-premises business and safe reopening of our restaurant dining rooms; and
- engaged in constructive dialogue with our landlords regarding rent abatements and deferrals.

The above actions are in addition to the significant cost cutting measures for fiscal 2020 that we announced and implemented earlier in the year.

In addition, on March 16, 2020, in order to increase our cash position and preserve financial flexibility, we drew down substantially all remaining availability under our revolving credit facility.

In May 2020, we issued $230.0 million aggregate principal amount of 5.00% convertible senior notes due 2025. Net proceeds from the 2025 Notes were approximately $221.6 million, after deducting the initial purchaser's discounts and commissions and our offering expenses. See "*2025 Notes"* below for additional details regarding the convertible senior notes.

In June and August 2020, we repaid $360.0 million and $60.0 million, respectively, on our revolving credit facility with cash on hand, a portion of which was proceeds from the 2025 Notes. Subsequent to September 27, 2020, we repaid $23.0 million on our revolving credit facility.

Cash and Cash Equivalents - As of September 27, 2020, we had $160.0 million in cash and cash equivalents, of which $26.7 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.

As of September 27, 2020, we had aggregate accumulated foreign earnings of approximately $40.0 million. This amount consisted primarily of historical earnings from 2017 and prior that were previously taxed in the U.S. under the 2017 Tax Cuts and Jobs 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 and Restructuring Initiatives - Total aggregate future undiscounted cash expenditures of $11.0 million to $13.5 million related to lease liabilities for certain closure and restructuring initiatives are expected to occur over the remaining lease terms through January 2029.

Capital Expenditures - We estimate that our capital expenditures will total approximately $100.0 million to $110.0 million in 2020. 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. Under the Amended Credit Agreement, we are limited to $100.0 million of aggregate capital expenditures for the four fiscal quarters through March 28, 2021.

Credit Facilities - As of September 27, 2020, we had $1.2 billion of outstanding borrowings under our Senior Secured Credit Facility and 2025 Notes. Following is a summary of our outstanding credit facilities as of the dates indicated and principal payments and debt issuance during the period indicated:

	SENIOR SECURED CREDIT FACILITY			
(dollars in thousands)	**TERM LOAN A**	**REVOLVING FACILITY**	**2025 NOTES**	**TOTAL CREDIT FACILITIES**
Balance as of December 29, 2019	$ 450,000	$ 599,000	$ —	$ 1,049,000
2020 new debt	—	505,000	230,000	735,000
2020 payments	(18,750)	(549,000)	—	(567,750)
Balance as of September 27, 2020 (1)	$ 431,250	$ 555,000	$ 230,000	$ 1,216,250
Weighted-average interest rate, as of September 27, 2020	2.89 %	2.88 %	5.00 %	
Principal maturity date	November 2022	November 2022	May 2025	

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(1) Subsequent to September 27, 2020, we made a payment of $23.0 million on our revolving credit facility.

As of September 27, 2020, we had $425.8 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of $19.2 million.

Amended Credit Agreement - On May 4, 2020, we and OSI, as co-borrowers, entered into the Amended Credit Agreement which provides relief for the financial covenant to maintain a specified quarterly TNLR. Without such amendment, violation of financial covenants under the original credit agreement could have resulted in default. The Amended Credit Agreement waives the TNLR requirement for the remainder of fiscal year 2020 and requires a TNLR based on a seasonally annualized calculation of Consolidated EBITDA not to exceed the following thresholds for the periods indicated:

QUARTERLY PERIOD ENDED	**MAXIMUM RATIO**
March 28, 2021 (1)	5.50 to 1.00
June 27, 2021 (2)	5.00 to 1.00
September 26, 2021 and thereafter (3)	4.50 to 1.00

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(1) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the fiscal quarter ending March 28, 2021 divided by 34.1%.
(2) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the two consecutive quarters ending June 27, 2021 divided by 58.5%.
(3) Seasonally annualized Consolidated EBITDA calculated as Consolidated EBITDA for the three consecutive quarters ending September 26, 2021 divided by 77.0%.

Under the terms of the Amended Credit Agreement, we are required to meet minimum monthly liquidity threshold of $125.0 million through March 28, 2021, calculated as the sum of available capacity under our revolving credit facility, unrestricted domestic cash on hand and up to $25.0 million of unrestricted cash held by foreign subsidiaries. We are also prohibited from making certain restricted payments, investments or acquisitions until after September 26, 2021, with an exception for investments in our foreign subsidiaries which are capped at $27.5 million. Repurchasing shares of our outstanding common stock and paying dividends are also restricted until after September 26, 2021.

Interest rates under the Amended Credit Agreement are 275 and 175 basis points above the Eurocurrency Rate and Base Rate, respectively, and letter of credit fees and fees for the daily unused availability under the revolving credit facility are 2.75% and 0.40%, respectively, subject to reversion to rates under the original credit agreement when we are in compliance with the TNLR covenant for the test period ending September 26, 2021. We are also subject to a 0% Eurocurrency floor under the Amended Credit Agreement.

The Amended Credit Agreement contains term loan mandatory prepayment requirements of 50% of our annual excess cash flow (as defined in the Amended Credit Agreement) after December 27, 2020. 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 $34.4 million, we do not anticipate any other payments will be required through September 26, 2021.

As of September 27, 2020 and December 29, 2019, 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.

2025 Notes - On May 8, 2020, we completed a $200.0 million principal amount private offering of 5.00% convertible senior notes due 2025 and on May 12, 2020, issued an additional $30.0 million principal amount in connection with the option granted to the initial purchasers as part of the offering. The 2025 Notes will mature on May 1, 2025, unless earlier converted, redeemed or purchased by us. The 2025 Notes bear cash interest at an annual rate of 5.00%, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2020.

The initial conversion rate applicable to the 2025 Notes is 84.122 shares of common stock per $1,000 principal amount of 2025 Notes, or a total of approximately 19.348 million shares for the total $230.0 million principal amount. This initial conversion rate is equivalent to an initial conversion price of approximately $11.89 per share. We will settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, based on the applicable conversion rate. We expect to settle the principal amount of our outstanding convertible senior notes in cash and any excess in shares.

Net proceeds from this offering were approximately $221.6 million, after deducting the initial purchaser's discounts and commissions and our offering expenses.

Convertible Note Hedge and Warrant Transactions - In connection with the offering of the 2025 Notes, we entered into Convertible Note Hedge Transactions with the Hedge Counterparties. Concurrently with our entry into the Convertible Note Hedge Transactions, we also entered into separate Warrant Transactions with the Hedge Counterparties collectively relating to the same number of shares of our common stock.

The portion of the net proceeds from our offering of the 2025 Notes that was used to pay the premium on the Convertible Note Hedge Transactions (calculated after taking into account our proceeds from the Warrant Transactions) was approximately $19.6 million.

See Note 12 - *Convertible Senior Notes* of the Notes to Consolidated Financial Statements for additional details regarding the convertible senior notes and related hedge and warrant transactions.

SUMMARY OF CASH FLOWS

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

	THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	**SEPTEMBER 27, 2020**	**SEPTEMBER 29, 2019**
Net cash provided by operating activities	$ 54,971	$ 180,926
Net cash used in investing activities	(56,162)	(93,710)
Net cash provided by (used in) financing activities	99,853	(106,444)
Effect of exchange rate changes on cash and cash equivalents	(3,293)	(1,187)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 95,369	$ (20,415)

Operating activities - Net cash provided by operating activities decreased during the thirty-nine weeks ended September 27, 2020, as compared to the thirty-nine weeks ended September 29, 2019 primarily due to a decrease in net restaurant sales and relief payments made to employees, net of employee retention tax credits as a result of the COVID-19 pandemic. These decreases were partially offset by: (i) decreased variable operating costs as a result of lower net restaurant sales, (ii) deferral of payroll tax payments as a result of the CARES Act, (iii) the timing of collections of receivables and payments made, (iv) lower inventory purchases and (v) lower income tax payments.

Investing activities - Net cash used in investing activities during the thirty-nine weeks ended September 27, 2020 primarily consisted of capital expenditures, partially offset by withdrawals from Company-owned life insurance policies.

Net cash used in investing activities during the thirty-nine weeks ended September 29, 2019 primarily consisted of capital expenditures, partially offset by proceeds from the disposal of property, fixtures and equipment and proceeds from sale-leaseback transactions.

Financing activities - Net cash provided by financing activities during the thirty-nine weeks ended September 27, 2020 primarily consisted of proceeds from issuance of convertible senior notes and related warrants transactions partially offset by: (i) premium payments for Convertible Note Hedge Transactions, (ii) repayments on our revolving credit facility, net of drawdowns, (iii) the repayments of long-term debt, (iv) payment of cash dividends on our common stock, (v) partner equity plan payments and (vi) issuance costs and financing fees in connection with our 2025 Notes and Amended Credit Agreement.

Net cash used in financing activities during the thirty-nine weeks ended September 29, 2019 primarily consisted of: (i) the repurchase of common stock, (ii) payment of cash dividends on our common stock, (iii) the repayment of long-term debt and (iv) partner equity plan payments. Net cash used in financing activities was partially offset by drawdowns on our revolving credit facility, net of repayments.

FINANCIAL CONDITION

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

(dollars in thousands)	SEPTEMBER 27, 2020	DECEMBER 29, 2019
Current assets	$ 298,195	$ 340,468
Current liabilities	838,973	962,021
Working capital (deficit)	$ (540,778)	$ (621,553)

Working capital (deficit) includes: (i) Unearned revenue primarily from unredeemed gift cards of $280.1 million and $369.3 million as of September 27, 2020 and December 29, 2019, respectively, and (ii) current operating lease liabilities of $177.7 million and $171.9 million as of September 27, 2020 and December 29, 2019, respectively, with the corresponding operating right-of-use assets recorded as non-current on our Consolidated Balance Sheets. 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 are 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 typically used to service debt obligations and to make capital expenditures.

Deferred Compensation Programs - The deferred compensation obligation due to managing and chef partners was $32.7 million and $49.0 million as of September 27, 2020 and December 29, 2019, respectively. We invest in various corporate-owned life insurance policies ("COLI assets"), 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 obligation for managing and chef partners' deferred compensation was fully funded as of September 27, 2020.

We use capital to fund deferred compensation obligations and currently expect cash funding of $9.5 million to $11.5 million for 2020. We also funded a portion of our 2020 obligation with $9.3 million withdrawn from our COLI assets. 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

We did not pay dividends or repurchase any shares of our outstanding common stock during the thirteen weeks ended September 27, 2020. The terms of our Amended Credit Agreement contain certain restrictions on cash dividends and share repurchases until after September 26, 2021 and we are compliant with our financial covenants.

Following is a summary of our dividends and share repurchases from fiscal year 2015 through September 27, 2020:

(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
Fiscal year 2019	35,734	106,992	142,726
First fiscal quarter 2020	17,480	—	17,480
Total	$ 178,225	$ 973,581	$ 1,151,806

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

Recently Issued Financial Accounting Standards

For a description of recently issued Financial Accounting Standards that we adopted during the thirty-nine weeks ended September 27, 2020 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 Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

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 29, 2019, 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 29, 2019 for further information regarding market risk.

Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange risk for our restaurants operating in foreign countries. Our exposure to foreign currency exchange risk is primarily related to fluctuations in the Brazilian Real relative to the U.S. dollar. Our operations in other markets consist of Company-owned restaurants on a smaller scale than Brazil. If foreign currency exchange rates depreciate in the countries in which we operate, we may experience declines in our operating results. For the thirty-nine weeks ended September 27, 2020, a 10% change in average foreign currency rates against the U.S. dollar would have increased or decreased our Total revenues and Net (loss) income for our consolidated foreign entities by $22.0 million and $1.8 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 September 27, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the thirteen weeks ended September 27, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 20 - *Commitments and Contingencies* of the Notes to 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 2019 Form 10-K which could materially affect our business, financial condition or future results. Other than the risk factor discussed below, there have not been any material changes to the risk factors described in our 2019 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.

The COVID-19 pandemic has disrupted and is expected to continue to disrupt our business, and could continue to materially and adversely affect our business, revenues, financial condition and results of operations for an extended period of time.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Governmental authorities around the world have since implemented measures to reduce the spread of COVID-19, and COVID-19 and related preventative and protective measures have impacted, and are expected to continue to impact, our business globally, including through restaurant closures, reductions in operating hours, capacity restrictions and decreased restaurant traffic. In the United States and in foreign countries in which we operate, individuals are encouraged to practice social distancing, and numerous jurisdictions have imposed on a temporary or on-going basis, and others in the future may impose or reinstate, restrictions from gathering in groups, restriction from non-essential movements outside of ones' home, shelter-in-place orders, quarantines, executive orders and similar governmental orders and restrictions for residents to control the spread of COVID-19. While certain of these restrictions have been lifted or reduced in the past few months, a resurgence of cases may cause governments to slow or roll back re-opening plans. These preventative and protective measures, which vary significantly across the jurisdictions where our restaurants are located, create a rapidly changing and complicated system for ensuring compliance and predicting our revenues and cost structure.

In response to the COVID-19 pandemic and these changing conditions, we have modified work hours for our team members, identified and implemented cost savings measures throughout our operations, shifted the majority of our corporate employees to remote working and temporarily limited our services in the U.S. to carry-out and delivery only beginning in March 2020. In early May 2020, we began to reopen our restaurant dining rooms with limited seating capacity in compliance with state and local regulations. As of September 27, 2020, our restaurant dining rooms have reopened but many are still subject to seating capacity restrictions. The temporary closure of our dining rooms and the limitations on seating capacity in our reopened dining rooms has resulted in significantly reduced traffic in our restaurants.

In the normal course of business, the majority of our sales are generated through on-premises dining in our restaurants, and the COVID-19 pandemic has affected and will continue to adversely affect our guest traffic, sales and operating costs. Even with our restaurant dining rooms open for on-premises dining there can be no assurances that on-premises sales will return to prior levels given capacity restrictions, continued uncertainties surrounding the economic and public health impact of the COVID-19 pandemic, or that any of the restaurants we have reopened will not be subject to additional closures or limitations on our capacity or the services we may provide. We are unable to accurately predict with certainty the ultimate impact that COVID-19 will have on our operations going forward due to uncertainties including the currently unknowable duration of the COVID-19 pandemic and impact of further governmental regulations that might be imposed or reinstated in response to the pandemic. The longer our restaurants remain under restrictions for on-premises dining, however, the greater impact we expect it will have on our financial results. In addition, if we revert to solely or primarily off-premises sales, there can be no assurance that our off-premises sales will grow or remain at levels experienced while our dining rooms were previously closed.

The COVID-19 outbreak has also adversely affected our ability to open new restaurants and remodel and relocate existing restaurants. Due to the uncertainty in the economy and to preserve liquidity, we have paused activities with respect to new locations, remodels and relocations, and limited capital spending to maintenance necessary to support our off-premises business. In addition, we have closed certain restaurants where conditions were unlikely to support profitable operations for the foreseeable future. These changes may materially adversely affect our ability to grow our business, particularly if these pauses are in place for a significant amount of time or further closures are appropriate.

In order to increase our cash position and preserve financial flexibility, we issued $230.0 million of convertible senior notes. Our resulting aggregate debt levels have significantly increased from levels prior to COVID-19. Given the uncertainty of the severity, extent and duration of the COVID-19 pandemic and its impacts on our business and results of operations, the general risks associated with increased debt levels are exacerbated. In addition, although we entered into an Amended Credit Agreement and obtained covenant relief, there can be no assurance we can continue to comply with the revised covenants during the relief period or thereafter when they revert to prior levels if the COVID-19 pandemic lasts longer than expected or our business does not quickly recover afterward.

Our business is sensitive to changes in macroeconomic conditions that impact consumer spending. The rapid and diffuse spread of COVID-19 has had severe negative impacts on, among other things, real GDP growth, consumer confidence, financial markets, liquidity, economic conditions, employment levels, interest rates, tax rates, foreign currency exchange rate fluctuations, supply chain related costs and other macroeconomic trends and could continue to do so or could worsen for an unknown period of time. If the business interruptions caused by COVID-19 last longer than we expect or our assumptions regarding liquidity needs prove inaccurate, we may need to seek other sources of liquidity. At times, the COVID-19 pandemic adversely affected the availability of liquidity generally in the credit markets, and there can be no guarantee that additional liquidity will be readily available or available on favorable terms, especially the longer the COVID-19 pandemic lasts. In an effort to preserve liquidity, we have and may continue to take certain actions with respect to some or all of our leases, including negotiating with landlords to obtain rent abatement or deferrals, terminating certain leases or discontinuing payment. We can provide no assurances that forbearance of any lease obligations will be provided to us, or that, following the COVID-19 pandemic, we will be able to continue restaurant operations on the current terms of our existing leases, any of which could have an adverse effect on our business and results.

Our restaurant operations could be further disrupted if any of our employees are diagnosed with COVID-19, since this could require further restaurant closures and some or all of a restaurant's employees to self-quarantine. If the employees of any of our third-party delivery service providers are diagnosed with COVID-19, or if the operations of these service providers are otherwise significantly impaired, our off-premises sales would also be adversely impacted. Our supply chain could similarly be adversely impacted. If our customers become ill, a significant percentage of our or our suppliers' or distributors' workforce is unable to work, or if there are similar disruptions in the supply chain generally for certain products, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, we could face disruptions to restaurant operations, cost increases and shortages of food or other supplies, or reputational harm or negative publicity directed at our brands that causes customers to avoid our restaurants, potentially materially adversely affecting our operations and sales. This is particularly true given our reliance on a small number of suppliers and distributors for the beef we serve in our U.S. and Brazil restaurants. In 2019, we purchased approximately 95% of our U.S. beef raw materials from four beef suppliers that represent more than 80% of the total beef marketplace in the U.S., and approximately 90% of our Brazil beef raw materials from two beef suppliers that represent approximately 45% of the total Brazil beef marketplace. We also primarily use one supplier in the U.S. and Brazil, respectively, to process beef raw materials to our specifications and we use one distribution company to provide distribution services in the U.S and Brazil, respectively. Consequently, our operations could be adversely affected if any of these suppliers or distributors were unable to fulfill their responsibilities and we were unable to locate substitutes in a timely manner. Although we have not experienced material adverse impacts to date, additional or prolonged closures of meat processing facilities that have occurred due to the effects of COVID-19 could adversely impact our supply chain and the products that we offer.

In addition to decisions we have made and may make in the future relating to the compensation and benefits of our employees, additional government regulations or legislation as a result of COVID-19 could also have an adverse effect on our business. We cannot predict the types of government regulations or legislation that may be passed relating to employee compensation or benefits as a result of the COVID-19 pandemic. In order to support our off-premises business and ensure we would be prepared to re-open our restaurants to on-premises dining when permitted, we retained our restaurant management across all of our brands. We have taken compensation and benefit actions to support our restaurant team members during the COVID-19 business interruption, including relief pay to hourly employees and continued payments to employees who have been quarantined or who had a personal illness related to COVID-19. Those actions may be insufficient to compensate our team members for the entire duration of any business interruption resulting from COVID-19, and our team members might seek and find other employment during that interruption, which could adversely affect our ability to properly staff and reopen our restaurants with experienced team members when the business interruptions caused by COVID-19 abate or end.

In addition, the operations of our franchisees are subject to the same risks discussed above with respect to our business, and the COVID-19 pandemic could cause financial distress for the franchisees that have been or will be impacted. As a result of this distress, we have deferred certain of their payment obligations and, even with these actions, our franchisees may not be able to meet or will defer payment of their financial obligations as they come due, including the payment of royalties, rent or other amounts due to the Company. In addition, our franchisees may not be able to make payments to landlords and key suppliers, as well as payments to service any debt they have outstanding. In some cases, we are contingently liable for franchisee lease obligations, and a failure by a franchisee to perform its obligations under such lease could result in direct payment obligations for us.

In addition, we have and could continue to experience other material impacts as a result of COVID-19, including, but not limited to, impairment charges. We cannot accurately predict the amount and timing of any further impairment of assets. A significant amount of judgment is involved in determining if an indication of impairment exists and the COVID-19 pandemic has made developing forecasts for, and the accounting of, valuation of goodwill and certain other assets slower and more difficult. Should the value of goodwill or other intangible or long-lived assets become further impaired, there could be an adverse effect on our financial condition and consolidated results of operations. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in "Risk Factors" under Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operation" under Item 7 of our Annual Report on Form 10-K that we filed with the SEC on February 26, 2020, including without limitation risks relating to competition in the restaurant industry, consumer preferences and perceptions, our level of indebtedness, availability of adequate capital, our ability to execute business plans related to remodeling, relocation and expansions, our lease obligations, our franchisees, disruptions to our supply chain and third-party delivery service providers, foreign currency exchange rates, regulatory restrictions and compliance, government proceedings or litigation arising out of claims from our customers, employees, business partners and stockholders, vulnerability of our data systems and volatility in the price of our common stock.

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

There were no sales of equity securities during the third quarter of 2020 that were not registered under the Securities Act of 1933.

We did not repurchase any shares of our outstanding common stock during the thirteen weeks ended September 27, 2020.

Item 6. Exhibits

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS	FILINGS REFERENCED FOR INCORPORATION BY REFERENCE
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	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)	Furnished herewith
32.2	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)	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith

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

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: October 30, 2020	BLOOMIN' BRANDS, INC. (Registrant)
	By: /s/ Christopher Meyer
	Christopher Meyer Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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Exhibit 31.1

CERTIFICATION

I, David J. Deno, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bloomin' Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

/s/ David J. Deno

David J. Deno
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Christopher Meyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bloomin’ Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 30, 2020

/s/ Christopher Meyer

Christopher Meyer
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 27, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date:	October 30, 2020	/s/ David J. Deno
		David J. Deno
		Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Bloomin' Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 27, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Meyer, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date: October 30, 2020	/s/ Christopher Meyer
	Christopher Meyer Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Bloomin' Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.