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

# FORM 10-Q

**(Mark One)**

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

For the quarterly period ended June 25, 2017

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 001-35625

# BLOOMIN' BRANDS, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **20-8023465** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

**2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607**
(Address of principal executive offices) (Zip Code)

**(813) 282-1225**
(Registrant's telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

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

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

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. o

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

As of July 27, 2017, 93,406,463 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 June 25, 2017
(Unaudited)

TABLE OF CONTENTS

BLOOMIN' BRANDS, INC.

# PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

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

| | JUNE 25, 2017 | DECEMBER 25, 2016 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 103,474 | $ 127,176 |
| Current portion of restricted cash and cash equivalents | — | 7,886 |
| Inventories | 52,633 | 65,231 |
| Other current assets, net | 97,047 | 190,226 |
| Total current assets | 253,154 | 390,519 |
| Restricted cash | — | 1,124 |
| Property, fixtures and equipment, net | 1,194,467 | 1,237,148 |
| Goodwill | 312,890 | 310,055 |
| Intangible assets, net | 529,677 | 535,523 |
| Deferred income tax assets | 56,552 | 38,764 |
| Other assets, net | 134,181 | 129,146 |
| Total assets | $ 2,480,921 | $ 2,642,279 |

(CONTINUED...)

# BLOOMIN' BRANDS, INC.

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

| | JUNE 25, 2017 | DECEMBER 25, 2016 |
|---|---|---|
| LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | $ 187,839 | $ 195,371 |
| Accrued and other current liabilities | 222,041 | 204,415 |
| Unearned revenue | 269,854 | 388,543 |
| Current portion of long-term debt | 44,497 | 35,079 |
| Total current liabilities | 724,231 | 823,408 |
| Deferred rent | 150,761 | 151,130 |
| Deferred income tax liabilities | 16,568 | 16,709 |
| Long-term debt, net | 1,082,041 | 1,054,406 |
| Deferred gain on sale-leaseback transactions, net | 186,383 | 181,696 |
| Other long-term liabilities, net | 219,153 | 219,030 |
| Total liabilities | 2,379,137 | 2,446,379 |
| Commitments and contingencies (Note 15) | | |
| Mezzanine Equity | | |
| Redeemable noncontrolling interests | 556 | 547 |
| Stockholders' Equity | | |
| Bloomin' Brands Stockholders' Equity | | |
| Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of June 25, 2017 and December 25, 2016 | — | — |
| Common stock, $0.01 par value, 475,000,000 shares authorized; 95,008,173 and 103,922,110 shares issued and outstanding as of June 25, 2017 and December 25, 2016, respectively | 950 | 1,039 |
| Additional paid-in capital | 1,079,749 | 1,079,583 |
| Accumulated deficit | (891,648) | (786,780) |
| Accumulated other comprehensive loss | (98,824) | (111,143) |
| Total Bloomin' Brands stockholders' equity | 90,227 | 182,699 |
| Noncontrolling interests | 11,001 | 12,654 |
| Total stockholders' equity | 101,228 | 195,353 |
| Total liabilities, mezzanine equity and stockholders' equity | $ 2,480,921 | $ 2,642,279 |

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

# BLOOMIN' BRANDS, INC.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Revenues | | | | |
| Restaurant sales | $ 1,019,957 | $ 1,072,519 | $ 2,155,445 | $ 2,230,571 |
| Franchise and other revenues | 13,025 | 6,069 | 21,360 | 12,205 |
| Total revenues | 1,032,982 | 1,078,588 | 2,176,805 | 2,242,776 |
| Costs and expenses | | | | |
| Cost of sales | 323,130 | 346,811 | 687,878 | 722,099 |
| Labor and other related | 297,857 | 309,155 | 622,255 | 631,960 |
| Other restaurant operating | 244,124 | 250,443 | 492,064 | 504,014 |
| Depreciation and amortization | 48,063 | 49,004 | 94,653 | 96,655 |
| General and administrative | 77,056 | 68,566 | 148,997 | 143,591 |
| Provision for impaired assets and restaurant closings | 598 | 41,276 | 19,674 | 44,440 |
| Total costs and expenses | 990,828 | 1,065,255 | 2,065,521 | 2,142,759 |
| Income from operations | 42,154 | 13,333 | 111,284 | 100,017 |
| Loss on defeasance, extinguishment and modification of debt | (260) | — | (260) | (26,580) |
| Other income (expense), net | 7,281 | (1) | 7,230 | (20) |
| Interest expense, net | (9,543) | (10,302) | (18,684) | (23,177) |
| Income before provision for income taxes | 39,632 | 3,030 | 99,570 | 50,240 |
| Provision for income taxes | 3,303 | 11,095 | 18,318 | 22,422 |
| Net income (loss) | 36,329 | (8,065) | 81,252 | 27,818 |
| Less: net income attributable to noncontrolling interests | 699 | 1,112 | 1,712 | 2,520 |
| Net income (loss) attributable to Bloomin' Brands | $ 35,630 | $ (9,177) | $ 79,540 | $ 25,298 |
| | | | | |
| Net income (loss) | $ 36,329 | $ (8,065) | $ 81,252 | $ 27,818 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | (9,118) | 19,965 | 11,371 | 12,680 |
| Unrealized loss on derivatives, net of tax | (610) | (2,187) | (509) | (4,922) |
| Reclassification of adjustment for loss on derivatives included in Net income (loss), net of tax | 643 | 967 | 1,427 | 1,955 |
| Comprehensive income | 27,244 | 10,680 | 93,541 | 37,531 |
| Less: comprehensive income attributable to noncontrolling interests | 757 | 2,820 | 1,682 | 4,926 |
| Comprehensive income attributable to Bloomin' Brands | $ 26,487 | $ 7,860 | $ 91,859 | $ 32,605 |
| | | | | |
| Earnings (loss) per share: | | | | |
| Basic | $ 0.36 | $ (0.08) | $ 0.79 | $ 0.22 |
| Diluted | $ 0.35 | $ (0.08) | $ 0.76 | $ 0.21 |
| Weighted average common shares outstanding: | | | | |
| Basic | 98,852 | 113,330 | 100,963 | 115,630 |
| Diluted | 102,421 | 113,330 | 104,417 | 118,560 |
| | | | | |
| Cash dividends declared per common share | $ 0.08 | $ 0.07 | $ 0.16 | $ 0.14 |

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, December 25, 2016 | 103,922 | $ 1,039 | $ 1,079,583 | $ (786,780) | $ (111,143) | $ 12,654 | $ 195,353 |
| Net income | — | — | — | 79,540 | — | 1,837 | 81,377 |
| Other comprehensive income (loss), net of tax | — | — | — | — | 12,319 | (38) | 12,281 |
| Cash dividends declared, $0.16 per common share | — | — | (16,308) | — | — | — | (16,308) |
| Repurchase and retirement of common stock | (9,917) | (99) | — | (198,629) | — | — | (198,728) |
| Stock-based compensation | — | — | 12,716 | — | — | — | 12,716 |
| Common stock issued under stock plans (1) | 1,003 | 10 | 4,597 | (143) | — | — | 4,464 |
| Change in the redemption value of redeemable interests | — | — | (126) | — | — | — | (126) |
| Purchase of noncontrolling interests, net of tax of $45 | — | — | (713) | — | — | (179) | (892) |
| Distributions to noncontrolling interests | — | — | — | — | — | (3,754) | (3,754) |
| Contributions from noncontrolling interests | — | — | — | — | — | 481 | 481 |
| Cumulative-effect from a change in accounting principle | — | — | — | 14,364 | — | — | 14,364 |
| Balance, June 25, 2017 | 95,008 | $ 950 | $ 1,079,749 | $ (891,648) | $ (98,824) | $ 11,001 | $ 101,228 |

(CONTINUED...)

# 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, December 27, 2015 | 119,215 | $ 1,192 | $ 1,072,861 | $ (518,360) | $ (147,367) | $ 13,574 | $ 421,900 |
| Net income | — | — | — | 25,298 | — | 2,139 | 27,437 |
| Other comprehensive income (loss), net of tax | — | — | — | — | 7,307 | (24) | 7,283 |
| Cash dividends declared, $0.14 per common share | — | — | (16,216) | — | — | — | (16,216) |
| Repurchase and retirement of common stock | (7,775) | (78) | — | (139,814) | — | — | (139,892) |
| Stock-based compensation | — | | 12,854 | — | — | — | 12,854 |
| Tax shortfall from stock-based compensation | — | — | (594) | — | — | — | (594) |
| Common stock issued under stock plans (1) | 425 | 5 | 632 | (329) | — | — | 308 |
| Change in the redemption value of redeemable interests | — | — | (1,349) | — | — | — | (1,349) |
| Purchase of noncontrolling interests, net of tax of $522 | — | — | 569 | — | — | 164 | 733 |
| Distributions to noncontrolling interests | — | — | — | — | — | (3,652) | (3,652) |
| Contributions from noncontrolling interests | — | — | — | — | — | 453 | 453 |
| Balance, June 26, 2016 | 111,865 | $ 1,119 | $ 1,068,757 | $ (633,205) | $ (140,060) | $ 12,654 | $ 309,265 |

(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 STATEMENTS OF CASH FLOWS
**(DOLLARS IN THOUSANDS, UNAUDITED)**

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 |
| Cash flows provided by operating activities: | | |
| Net income | $ 81,252 | $ 27,818 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 94,653 | 96,655 |
| Amortization of deferred discounts and issuance costs | 1,637 | 2,542 |
| Amortization of deferred gift card sales commissions | 13,756 | 15,832 |
| Provision for impaired assets and restaurant closings | 19,674 | 44,440 |
| Stock-based and other non-cash compensation expense | 13,901 | 11,454 |
| Deferred income tax (benefit) expense | (989) | 3,187 |
| Gain on sale of a business | (7,284) | — |
| Loss on defeasance, extinguishment and modification of debt | 260 | 26,580 |
| Recognition of deferred gain on sale-leaseback transactions | (5,816) | (1,739) |
| Excess tax benefit from stock-based compensation | — | (378) |
| Other non-cash items, net | 1,799 | (669) |
| Change in assets and liabilities | (29,708) | (20,306) |
| Net cash provided by operating activities | 183,135 | 205,416 |
| Cash flows (used in) provided by investing activities: | | |
| Proceeds from sale-leaseback transactions, net | 49,780 | 160,597 |
| Proceeds from sale of a business | 33,994 | — |
| Capital expenditures | (116,256) | (109,319) |
| Decrease in restricted cash | 14,969 | 35,238 |
| Increase in restricted cash | (5,957) | (12,999) |
| Other investments, net | (1,119) | (3,383) |
| Net cash (used in) provided by investing activities | $ (24,589) | $ 70,134 |

(CONTINUED...)

## BLOOMIN' BRANDS, INC.

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

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 |
| Cash flows used in financing activities: | | |
| Proceeds from issuance of long-term debt, net | $ 124,438 | $ 294,699 |
| Defeasance, extinguishment and modification of debt | — | (478,906) |
| Repayments of long-term debt | (64,399) | (103,728) |
| Proceeds from borrowings on revolving credit facilities, net | 341,000 | 414,000 |
| Repayments of borrowings on revolving credit facilities | (364,500) | (233,000) |
| Proceeds from failed sale-leaseback transactions, net | 5,942 | — |
| Proceeds from the exercise of share-based compensation | 4,607 | 637 |
| Distributions to noncontrolling interests | (3,754) | (3,652) |
| Contributions from noncontrolling interests | 481 | 539 |
| Purchase of limited partnership and noncontrolling interests | (4,024) | (8,983) |
| Repayments of partner deposits and accrued partner obligations | (7,862) | (10,018) |
| Repurchase of common stock | (198,871) | (140,221) |
| Excess tax benefit from stock-based compensation | — | 378 |
| Cash dividends paid on common stock | (16,308) | (16,216) |
| Net cash used in financing activities | (183,250) | (284,471) |
| Effect of exchange rate changes on cash and cash equivalents | 1,002 | 853 |
| Transfer of cash and cash equivalents to assets held for sale | — | (22,195) |
| Net decrease in cash and cash equivalents | (23,702) | (30,263) |
| Cash and cash equivalents as of the beginning of the period | 127,176 | 132,337 |
| Cash and cash equivalents as of the end of the period | $ 103,474 | $ 102,074 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 17,393 | $ 23,031 |
| Cash paid for income taxes, net of refunds | 22,695 | 15,087 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Change in acquisition of property, fixtures and equipment included in accounts payable or capital lease liabilities | $ (2,564) | $ 15,721 |
| Purchase of noncontrolling interest included in accrued and other current liabilities | 898 | — |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
## (UNAUDITED)

1. Description of the Business and Basis of Presentation

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

*Basis of Presentation* - The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for fair financial statement presentation for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 25, 2016.

*Recently Adopted Financial Accounting Standards* - Effective December 26, 2016, the Company adopted Accounting Standards Update ("ASU") 2016-09: "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU No. 2016-09"). ASU No. 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. Upon adoption, the Company made an accounting policy election to recognize forfeitures as they occur. Using the modified retrospective transition method required under the standard, the Company recorded a cumulative-effect adjustment for the adoption of ASU No. 2016-09 of $14.4 million for previously unrecognized excess tax benefits, which increased Deferred tax assets and reduced Accumulated deficit. The recognition of excess tax benefits and tax shortfalls in the income statement and presentation of excess tax benefits on the statement of cash flows were adopted prospectively, with no adjustments made to prior periods. The remaining provisions of ASU No. 2016-09 did not have a material impact on the Company's Consolidated Financial Statements.

*Recently Issued Financial Accounting Standards Not Yet Adopted* - In January 2017, the Financial Accounting Standards Board ("the FASB") issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," ("ASU No. 2017-04"). ASU No. 2017-04 eliminates the second step of goodwill impairment, which requires a hypothetical purchase price allocation. Under ASU No. 2017-04, goodwill impairment will be calculated as the amount a reporting unit's carrying value exceeds its calculated fair value. ASU No. 2017-04 will be applied prospectively and is effective for the Company in fiscal year 2020, with early adoption permitted. The Company does not expect the adoption of ASU No. 2017-04 to have a material impact on its Consolidated Financial Statements.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230), Restricted Cash" ("ASU No. 2016-18"). ASU No. 2016-18 provides guidance on the presentation of restricted cash and restricted cash equivalents, which should now be included with cash and cash equivalents when reconciling the beginning and ending cash amounts shown on the statements of cash flows. ASU No. 2016-18 will be effective for the Company in fiscal year 2018, with early adoption permitted. Other than the change in presentation of restricted cash within the statement of cash flows, the adoption of ASU No. 2016-18 is not expected to have an impact on the Company's Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU No. 2016-15") which provides guidance on the statement of cash flows presentation of certain transactions where diversity in practice exists. ASU No. 2016-15 will be effective for the

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

Company in fiscal year 2018, and early adoption is permitted. The Company does not expect ASU No. 2016-15 to have a material impact on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02: "Leases (Topic 842)" ("ASU No. 2016-02"). ASU No. 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU No. 2016-02 is effective for the Company in fiscal year 2019 and must be adopted using a modified retrospective approach. The Company is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09"). ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers and supersedes current revenue recognition standards. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09, as amended, will be effective for the Company in fiscal year 2018 and the transition method is applied retrospectively to each period presented or as a cumulative-effect adjustment at the date of adoption.

While the Company continues to assess all potential impacts of the standard, it currently believes the most significant impact relates to accounting for gift card breakage and advertising fees charged to franchisees. Under the new standard, the Company expects to recognize gift card breakage proportional to actual gift card redemptions. Advertising fees charged to franchisees, which are currently recorded as a reduction to Other restaurant operating expenses, will be recognized as revenue. In addition, initial franchise fees will be recognized over the term of the franchise agreement, which is not expected to have a material impact on the Consolidated Financial Statements. Additionally, the Company is assessing the impacts of the disclosures required by ASU No. 2014-09. The Company has not yet determined transition methodology as it continues to evaluate materiality and industry best practice.

Recent accounting guidance not discussed above is not applicable, did not have, or is not expected to have a material impact to the Company.

*Reclassifications* - The Company reclassified certain items in the accompanying Consolidated Financial Statements for prior periods to be comparable with the classification for the current period. These reclassifications had no effect on previously reported net income.

2. Disposals

*Refranchising* - During the thirteen weeks ended June 25, 2017, the Company completed the sale of 54 of its existing U.S. Company-owned Outback Steakhouse and Carrabba's Italian Grill locations to two of its existing franchisees (the "Buyers") for aggregate cash proceeds of $36.2 million, net of certain closing adjustments. The transactions resulted in aggregate net gain of $7.4 million, recorded within Other income (expense), net, in the Consolidated Statements of Operations and Other Comprehensive Income, and is net of an impairment of $1.7 million related to certain Company-owned assets leased to the Buyers. Included in the cash proceeds are initial franchise fees of $2.2 million that are recorded within Franchise and other revenues in the Consolidated Statements of Operations and Other Comprehensive Income.

These restaurants are now operated as franchises by the Buyers and the Company remains contingently liable on certain of the real estate lease agreements assigned to the Buyers. See Note 15 - *Commitments and Contingencies* for additional details regarding lease guarantees.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

*Outback Steakhouse South Korea* - In 2016, the Company completed the sale of its Outback Steakhouse subsidiary in South Korea ("Outback Steakhouse South Korea"). Following is the Loss before income taxes of Outback Steakhouse South Korea included in the Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

| | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 26, 2016** |
| Loss before income taxes (1) | $ (38,601) | $ (34,594) |

(1) Includes impairment charges of $39.6 million for Assets held for sale during the thirteen and twenty-six weeks ended June 26, 2016.

## 3. Impairments and Exit Costs

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Impairment losses | | | | |
| U.S. | $ 12 | $ 81 | $ 932 | $ 81 |
| International | — | 39,636 | — | 39,636 |
| Total impairment losses | $ 12 | $ 39,717 | $ 932 | $ 39,717 |
| Restaurant closure expenses | | | | |
| U.S. | $ 586 | $ 1,221 | $ 18,742 | $ 4,849 |
| International | — | 338 | — | (126) |
| Total restaurant closure expenses | $ 586 | $ 1,559 | $ 18,742 | $ 4,723 |
| Provision for impaired assets and restaurant closings | $ 598 | $ 41,276 | $ 19,674 | $ 44,440 |

*Closure Initiative and Restructuring Costs* - Following is a summary of expenses related to the 2017 Closure Initiative and Bonefish Restructuring (the "Closure Initiatives") recognized in Provision for impaired assets and restaurant closings in the Company's Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| ***Impairment, facility closure and other expenses*** | | | | |
| 2017 Closure Initiative (1) | $ (244) | $ — | $ 17,203 | $ — |
| Bonefish Restructuring (2) | — | 807 | 809 | 4,380 |
| **Provision for impaired assets and restaurant closings** | $ (244) | $ 807 | $ 18,012 | $ 4,380 |
| ***Severance and other expenses*** | | | | |
| 2017 Closure Initiative (1) | $ 766 | $ — | $ 2,948 | $ — |
| Bonefish Restructuring (2) | — | 26 | — | 601 |
| **General and administrative** | $ 766 | $ 26 | $ 2,948 | $ 601 |
| ***Reversal of deferred rent liability*** | | | | |
| 2017 Closure Initiative (1) | $ 180 | $ — | $ (4,761) | $ — |
| Bonefish Restructuring (2) | — | (876) | — | (2,801) |
| **Other restaurant operating** | $ 180 | $ (876) | $ (4,761) | $ (2,801) |
| | $ 702 | $ (43) | $ 16,199 | $ 2,180 |

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(1) On February 15, 2017, the Company decided to close 43 underperforming restaurants (the "2017 Closure Initiative"). Most of these restaurants were closed in 2017 to date, with the balance closing as leases and certain operating covenants expire or are amended or waived. Expenses related to the 2017 Closure Initiative for the thirteen and twenty-six weeks ended June 25, 2017 are recognized within the U.S. segment.

(2) On February 12, 2016, the Company decided to close 14 Bonefish Grill restaurants ("Bonefish Restructuring"). The Company expects to substantially complete these restaurant closings through the first quarter of 2019. Expenses related to the Bonefish Restructuring are recognized within the U.S. segment.

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

*Projected Future Expenses and Cash Expenditures* - The Company currently expects to incur additional charges for the Closure Initiatives over the next two to three years, including costs associated with lease obligations, employee terminations and other closure-related obligations. Following is a summary of estimated pre-tax expense by type:

| ***Estimated future expense*** **(dollars in millions)** | **2017 CLOSURE INITIATIVE** | | | **BONEFISH RESTRUCTURING** | | |
|---|---|---|---|---|---|---|
| Lease related liabilities, net of subleases | $ 3.2 | to | $ 4.1 | $ 2.2 | to | $ 5.1 |
| Employee severance and other obligations | 0.4 | to | 0.7 | 0.3 | to | 0.6 |
| Total estimated future expense | $ 3.6 | to | $ 4.8 | $ 2.5 | to | $ 5.7 |
| | | | | | | |
| **Total estimated future cash expenditures (dollars in millions)** | $ 25.3 | | $ 29.5 | $ 10.1 | to | $ 12.3 |

Total future undiscounted cash expenditures for the 2017 Closure Initiative and Bonefish Restructuring, primarily related to lease liabilities, are expected to occur over the remaining lease terms with the final term ending in January 2029 and October 2024, respectively.

*Accrued Facility Closure and Other Costs Rollforward* - The following table summarizes the Company's accrual activity related to facility closure and other costs, primarily associated with the Closure Initiatives, during the twenty-six weeks ended June 25, 2017:

| (dollars in thousands) | TWENTY-SIX WEEKS ENDED JUNE 25, 2017 |
|---|---|
| Beginning of the period | $ 6,557 |
| Charges | 19,759 |
| Cash payments | (4,850) |
| Adjustments | (1,017) |
| End of the period (1) | $ 20,449 |

(1) As of June 25, 2017, the Company had exit-related accruals of $6.5 million recorded in Accrued and other current liabilities and $13.9 million recorded in Other long-term liabilities, net in the Consolidated Balance Sheet.

## 4. Earnings (Loss) Per Share

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (in thousands, except per share data) | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Net income (loss) attributable to Bloomin' Brands | $ 35,630 | $ (9,177) | $ 79,540 | $ 25,298 |
| Basic weighted average common shares outstanding | 98,852 | 113,330 | 100,963 | 115,630 |
| Effect of diluted securities: | | | | |
| Stock options | 3,128 | — | 3,030 | 2,719 |
| Nonvested restricted stock and restricted stock units | 433 | — | 394 | 208 |
| Nonvested performance-based share units | 8 | — | 30 | 3 |
| Diluted weighted average common shares outstanding | 102,421 | 113,330 | 104,417 | 118,560 |
| Basic earnings (loss) per share | $ 0.36 | $ (0.08) | $ 0.79 | $ 0.22 |
| Diluted earnings (loss) per share | $ 0.35 | $ (0.08) | $ 0.76 | $ 0.21 |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (shares in thousands) | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Stock options | 5,359 | 8,269 | 5,462 | 4,854 |
| Nonvested restricted stock and restricted stock units | 153 | 587 | 172 | 376 |
| Nonvested performance-based share units | 262 | 77 | 317 | 83 |

5. Stock-based Compensation Plans

The Company recognized stock-based compensation expense as follows:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Stock options | $ 2,944 | $ 3,301 | $ 5,699 | $ 6,019 |
| Restricted stock and restricted stock units | 2,689 | 2,518 | 5,242 | 4,562 |
| Performance-based share units | 820 | 867 | 1,236 | 1,752 |
| | $ 6,453 | $ 6,686 | $ 12,177 | $ 12,333 |

During the twenty-six weeks ended June 25, 2017, the Company made grants to its employees of 1.2 million stock options, 0.6 million time-based restricted stock units and 0.4 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:

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Assumptions: | | |
| Weighted-average risk-free interest rate (1) | 1.93% | 1.33% |
| Dividend yield (2) | 1.84% | 1.60% |
| Expected term (3) | 6.3 years | 6.1 years |
| Weighted-average volatility (4) | 33.73% | 35.20% |
| | | |
| Weighted-average grant date fair value per option | $ 5.09 | $ 5.27 |

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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.
(3) Expected term represents the period of time that the options are expected to be outstanding. The simplified method of estimating the expected term is used since the Company does not have significant historical exercise experience for its stock options.
(4) Volatility is based on the historical volatilities of the Company's stock and the stock of comparable peer companies.

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of June 25, 2017:

| | UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands) | REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years) |
|---|---|---|
| Stock options | $ 20,204 | 2.5 |
| Restricted stock and restricted stock units | $ 25,436 | 2.8 |
| Performance-based share units | $ 6,017 | 2.1 |

As of June 25, 2017, the maximum number of shares of common stock available for issuance pursuant to the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan was 3,827,305.

## 6. Other Current Assets, Net

Other current assets, net, consisted of the following:

| (dollars in thousands) | JUNE 25, 2017 | DECEMBER 25, 2016 |
|---|---|---|
| Prepaid expenses | $ 26,539 | $ 35,298 |
| Accounts receivable - gift cards, net | 18,355 | 102,664 |
| Accounts receivable - vendors, net | 7,093 | 10,107 |
| Accounts receivable - franchisees, net | 2,739 | 1,677 |
| Accounts receivable - other, net | 20,682 | 20,497 |
| Assets held for sale | 4,118 | 1,331 |
| Other current assets, net | 17,521 | 18,652 |
| | $ 97,047 | $ 190,226 |

## 7. Property, Fixtures and Equipment, Net

During the twenty-six weeks ended June 25, 2017, the Company entered into sale-leaseback transactions with third-parties in which it sold 14 restaurant properties at fair market value for gross proceeds of $51.5 million. In connection with the sale-leaseback transactions, the Company recorded deferred gains of $14.1 million, which are amortized to Other restaurant operating expense in the Consolidated Statements of Operations and Comprehensive Income over the initial term of each lease, ranging from 10 to 20 years. In addition, during the first quarter of 2017, the Company sold one property to a third party for gross proceeds of $6.0 million that did not qualify for sale-leaseback accounting. During the second quarter of 2017, the restaurant was sold and the associated assets and financing obligation were derecognized.

Subsequent to June 25, 2017, the Company entered into sale-leaseback transactions with third-parties in which it sold ten restaurant properties at fair market value for gross proceeds of $32.3 million.

## 8. Goodwill and Intangible Assets, Net

The following table is a rollforward of goodwill:

| (dollars in thousands) | U.S. | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Balance as of December 25, 2016 | $ 172,424 | $ 137,631 | $ 310,055 |
| Translation adjustments | — | 4,492 | 4,492 |
| Divestitures (1) | (1,657) | — | (1,657) |
| Balance as of June 25, 2017 | $ 170,767 | $ 142,123 | $ 312,890 |

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(1) During the twenty-six weeks ended June 25, 2017, the Company disposed of Goodwill in connection with the sale of 54 of its U.S. Company-owned Outback Steakhouse and Carrabba's Italian Grill locations to existing franchisees.

The Company performed its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during the fiscal second quarters of 2017 and 2016. In connection with these assessments, the Company did not record any goodwill or indefinite-lived intangible impairment charges.

9. Long-term Debt, Net

Following is a summary of outstanding long-term debt:

| (dollars in thousands) | JUNE 25, 2017 OUTSTANDING BALANCE | JUNE 25, 2017 INTEREST RATE | DECEMBER 25, 2016 OUTSTANDING BALANCE | DECEMBER 25, 2016 INTEREST RATE |
|---|---|---|---|---|
| Senior Secured Credit Facility: | | | | |
| Term loan A (1) | $ 247,500 | 3.07% | $ 258,750 | 2.63% |
| Term loan A-1 | 135,000 | 3.19% | 140,625 | 2.70% |
| Term loan A-2 | 125,000 | 3.19% | — | —% |
| Revolving credit facility (1) | 598,500 | 3.14% | 622,000 | 2.67% |
| Total Senior Secured Credit Facility | $ 1,106,000 | | $ 1,021,375 | |
| PRP Mortgage Loan | — | —% | 47,202 | 3.21% |
| Financing obligations | 19,587 | 7.45% to 7.60% | 19,595 | 7.45% to 7.60% |
| Capital lease obligations | 2,253 | | 2,364 | |
| Other notes payable | 1,000 | 0.00% to 2.18% | 1,776 | 0.00% to 7.00% |
| Less: unamortized debt discount and issuance costs | (2,302) | | (2,827) | |
| | $ 1,126,538 | | $ 1,089,485 | |
| Less: current portion of long-term debt | (44,497) | | (35,079) | |
| Long-term debt, net | $ 1,082,041 | | $ 1,054,406 | |

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

*Credit Agreement Amendment* - On May 22, 2017, OSI Restaurant Partners, LLC ("OSI"), a wholly-owned subsidiary of the Company, entered into an amendment (the "Amendment") to its existing credit agreement, dated October 26, 2012 (as previously amended, the "Credit Agreement"). The Amendment provided an incremental Term loan A-2 in an aggregate principal amount of $125.0 million. No other material changes were made to the terms of OSI's Credit Agreement as a result of the Amendment.

The following is a summary of required principal payments for the Amendment (dollars in thousands):

| SCHEDULED QUARTERLY PAYMENT DATES | TERM LOAN A-2 |
|---|---|
| September 30, 2017 through June 30, 2018 | $ 2,344 |
| September 30, 2018 through March 31, 2019 | $ 3,125 |

*Maturities* - Following is a summary of principal payments of the Company's total consolidated debt outstanding as of June 25, 2017:

| (dollars in thousands) | JUNE 25, 2017 |
|---|---|
| Year 1 | $ 44,497 |
| Year 2 | 1,061,176 |
| Year 3 | 519 |
| Year 4 | 444 |
| Year 5 | 416 |
| Thereafter | 19,486 |
| Total | $ 1,126,538 |

*Debt Covenants* - As of June 25, 2017 and December 25, 2016, the Company was in compliance with its debt covenants.

## 10. Redeemable Noncontrolling Interests

The Company consolidates subsidiaries in which it has noncontrolling interests that are permitted to deliver subsidiary shares in exchange for cash at a future date. The following table presents a rollforward of Redeemable noncontrolling interests during the twenty-six weeks ended June 25, 2017 and June 26, 2016:

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Balance, beginning of period | $ 547 | $ 23,526 |
| Change in redemption value of Redeemable noncontrolling interests | 126 | 1,349 |
| Foreign currency translation attributable to Redeemable noncontrolling interests | 8 | 2,430 |
| Net (loss) income attributable to Redeemable noncontrolling interests | (125) | 381 |
| Purchase of Redeemable noncontrolling interests | — | (3,552) |
| Balance, end of period | $ 556 | $ 24,134 |

## 11. Stockholders' Equity

*Share Repurchases* - On July 26, 2016, the Board of Directors ("the Board") approved a $300.0 million authorization (the "July 2016 Share Repurchase Program"). On April 21, 2017, the Board canceled the remaining $52.3 million of authorization under the July 2016 Share Repurchase Program and approved a new $250.0 million authorization (the "2017 Share Repurchase Program"). The 2017 Share Repurchase Program will expire on October 21, 2018. As of June 25, 2017, $129.0 million remained available for repurchase under the 2017 Share Repurchase Program. Following is a summary of the shares repurchased under the Company's share repurchase programs during fiscal year 2017:

| | NUMBER OF SHARES (in thousands) | AVERAGE REPURCHASE PRICE PER SHARE | AMOUNT (dollars in thousands) |
|---|---|---|---|
| First fiscal quarter | 2,887 | $ 18.37 | $ 53,053 |
| Second fiscal quarter (1) | 7,030 | $ 20.72 | 145,675 |
| Total common stock repurchases | 9,917 | $ 20.04 | $ 198,728 |

(1) Subsequent to June 25, 2017, the Company repurchased 1.6 million shares of its common stock for $34.0 million under a Rule 10b5-1 plan.

*Dividends* - The Company declared and paid dividends per share during fiscal year 2017 as follows:

| | DIVIDENDS PER SHARE | AMOUNT (dollars in thousands) |
|---|---|---|
| First fiscal quarter | $ 0.08 | $ 8,254 |
| Second fiscal quarter | 0.08 | 8,054 |
| Total cash dividends declared and paid | $ 0.16 | $ 16,308 |

In July 2017, the Board declared a quarterly cash dividend of $0.08 per share, payable on August 23, 2017, to shareholders of record at the close of business on August 9, 2017.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

*Accumulated Other Comprehensive Loss* - Following are the components of Accumulated other comprehensive loss ("AOCL"):

| (dollars in thousands) | JUNE 25, 2017 | DECEMBER 25, 2016 |
|---|---|---|
| Foreign currency translation adjustment | $ (96,108) | $ (107,509) |
| Unrealized losses on derivatives, net of tax | (2,716) | (3,634) |
| Accumulated other comprehensive loss | $ (98,824) | $ (111,143) |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in thousands) | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| ***Bloomin' Brands:*** | | | | |
| Foreign currency translation adjustment | $ (9,176) | $ 18,257 | $ 11,401 | $ 10,274 |
| | | | | |
| Unrealized loss on derivatives, net of tax (1) | $ (610) | $ (2,187) | $ (509) | $ (4,922) |
| Reclassification of adjustment for loss on derivatives included in Net income (loss), net of tax (2) | 643 | 967 | 1,427 | 1,955 |
| Total unrealized gain (loss) on derivatives, net of tax | $ 33 | $ (1,220) | $ 918 | $ (2,967) |
| Other comprehensive (loss) income attributable to Bloomin' Brands | $ (9,143) | $ 17,037 | $ 12,319 | $ 7,307 |
| | | | | |
| ***Non-controlling interests:*** | | | | |
| Foreign currency translation adjustment | $ 55 | $ (30) | $ (38) | $ (24) |
| Other comprehensive income (loss) attributable to Non-controlling interests | $ 55 | $ (30) | $ (38) | $ (24) |
| | | | | |
| ***Redeemable non-controlling interests:*** | | | | |
| Foreign currency translation adjustment | $ 3 | $ 1,738 | $ 8 | $ 2,430 |
| Other comprehensive income attributable to Redeemable non-controlling interests | $ 3 | $ 1,738 | $ 8 | $ 2,430 |

(1) Unrealized loss on derivatives is net of tax of $0.4 million and $1.4 million for the thirteen weeks ended June 25, 2017 and June 26, 2016, respectively, and $0.3 million and $3.2 million for the twenty-six weeks ended June 25, 2017 and June 26, 2016, respectively.

(2) Reclassifications of adjustments for losses on derivatives are net of tax of $0.4 million and $0.6 million for the thirteen weeks ended June 25, 2017 and June 26, 2016, respectively, and $0.9 million and $1.3 million for the twenty-six weeks ended June 25, 2017 and June 26, 2016, respectively.

## 12. Derivative Instruments and Hedging Activities

*Interest Rate Risk* - The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages economic risks, including interest rate risk, primarily by managing the amount, sources and duration of its debt funding and through the use of derivative financial instruments. The Company's objectives in using interest rate derivatives, primarily interest rate swaps, are to add stability to interest expense and to manage its exposure to interest rate movements.

*Currency Exchange Rate Risk* - The Company is exposed to foreign currency exchange rate risk arising from transactions and balances denominated in currencies other than the U.S. dollar. The Company may use foreign currency forward contracts to manage certain foreign currency exposures.

DESIGNATED HEDGES

*Cash Flow Hedges of Interest Rate Risk* - On September 9, 2014, the Company entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of the Company's variable rate debt. The swap agreements have an aggregate notional amount of $400.0 million, a start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, the Company pays a weighted-average fixed rate of 2.02% on the $400.0 million notional amount and receives payments from the counterparty based on the 30-day LIBOR rate.

The interest rate swaps, which have been designated and qualify as a cash flow hedge, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. Fair value changes in the interest rate swaps are recognized in AOCL for all effective portions. Balances in AOCL are subsequently reclassified to earnings in the same period that the hedged interest payments affect earnings. The Company estimates $2.8 million will be reclassified to interest expense over the next twelve months.

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

| (dollars in thousands) | JUNE 25, 2017 | | DECEMBER 25, 2016 | | CONSOLIDATED BALANCE SHEET CLASSIFICATION |
|---|---|---|---|---|---|
| Interest rate swaps - liability | $ | 2,641 | $ | 3,968 | Accrued and other current liabilities |
| Interest rate swaps - liability | | 1,845 | | 1,999 | Other long-term liabilities, net |
| Total fair value of derivative instruments (1) | $ | 4,486 | $ | 5,967 | |
| | | | | | |
| Accrued interest | $ | 282 | $ | 408 | Accrued and other current liabilities |

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

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

| | THIRTEEN WEEKS ENDED | | | | TWENTY-SIX WEEKS ENDED | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | JUNE 25, 2017 | | JUNE 26, 2016 | | JUNE 25, 2017 | | JUNE 26, 2016 | |
| Interest rate swap expense recognized in Interest expense, net (1) | $ | (1,036) | $ | (1,597) | $ | (2,301) | $ | (3,211) |
| Income tax benefit recognized in Provision for income taxes | | 393 | | 630 | | 874 | | 1,256 |
| Total effects of the interest rate swaps on Net income (loss) | $ | (643) | $ | (967) | $ | (1,427) | $ | (1,955) |

(1) During the thirteen and twenty-six weeks ended June 25, 2017 and June 26, 2016, the Company did not recognize any gain or loss as a result of hedge ineffectiveness.

The Company records its derivatives on the Consolidated Balance Sheets on a gross balance basis. The Company's derivatives are subject to master netting arrangements. As of June 25, 2017, the Company did not have more than one derivative between the same counterparties and as such, there was no netting.

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 June 25, 2017, 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 June 25, 2017 and December 25, 2016, the fair value of the Company's interest rate swaps in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk, was $4.8 million and $6.4 million, respectively. As of June 25, 2017 and December 25, 2016, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of June 25, 2017 and December 25, 2016, it could have been required to settle its obligations under the agreements at their termination value of $4.8 million and $6.4 million, respectively.

## 13. Fair Value Measurements

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

| | |
|---|---|
| Level 1 | Unadjusted quoted market prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs available at measurement date other than quoted prices included in Level 1 |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data |

*Fair Value Measurements on a Recurring Basis* - The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis as of June 25, 2017 and December 25, 2016:

| | JUNE 25, 2017 | | | DECEMBER 25, 2016 | | |
|---|---|---|---|---|---|---|
| **(dollars in thousands)** | **TOTAL** | **LEVEL 1** | **LEVEL 2** | **TOTAL** | **LEVEL 1** | **LEVEL 2** |
| Assets: | | | | | | |
| Cash equivalents: | | | | | | |
| Fixed income funds | $ 86 | $ 86 | $ — | $ 90 | $ 90 | $ — |
| Money market funds | 23,396 | 23,396 | — | 18,607 | 18,607 | — |
| Restricted cash equivalents: | | | | | | |
| Fixed income funds | — | — | — | 552 | 552 | — |
| Money market funds | — | — | — | 2,518 | 2,518 | — |
| Total asset recurring fair value measurements | $ 23,482 | $ 23,482 | $ — | $ 21,767 | $ 21,767 | $ — |
| | | | | | | |
| Liabilities: | | | | | | |
| Accrued and other current liabilities: | | | | | | |
| Derivative instruments - interest rate swaps | $ 2,641 | $ — | $ 2,641 | $ 3,968 | $ — | $ 3,968 |
| Derivative instruments - commodities | 105 | — | 105 | 157 | — | 157 |
| Other long-term liabilities: | | | | | | |
| Derivative instruments - interest rate swaps | 1,845 | — | 1,845 | 1,999 | — | 1,999 |
| Total liability recurring fair value measurements | $ 4,591 | $ — | $ 4,591 | $ 6,124 | $ — | $ 6,124 |

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 and commodities. 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 incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. As of June 25, 2017 and December 25, 2016, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. |

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

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

| | THIRTEEN WEEKS ENDED JUNE 26, 2016 | | TWENTY-SIX WEEKS ENDED JUNE 26, 2016 | |
|---|---|---|---|---|
| (dollars in thousands) | CARRYING VALUE (2) | TOTAL IMPAIRMENT | CARRYING VALUE (2) | TOTAL IMPAIRMENT |
| Assets held for sale | $ 43,995 | $ 39,717 | $ 43,995 | $ 39,717 |
| | $ 43,995 | $ 39,717 | $ 43,995 | $ 39,717 |

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

*Interim Disclosures about Fair Value of Financial Instruments* - The Company's non-derivative financial instruments as of June 25, 2017 and December 25, 2016 consist of cash equivalents, restricted cash, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amounts reported in the Consolidated Balance Sheets due to their short duration.

Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The following table includes the carrying value and fair value of the Company's debt by hierarchy level as of June 25, 2017 and December 25, 2016:

| | JUNE 25, 2017 | | | DECEMBER 25, 2016 | | |
|---|---|---|---|---|---|---|
| | | FAIR VALUE | | | FAIR VALUE | |
| (dollars in thousands) | CARRYING VALUE | LEVEL 2 | LEVEL 3 | CARRYING VALUE | LEVEL 2 | LEVEL 3 |
| Senior Secured Credit Facility: | | | | | | |
| Term loan A | $ 247,500 | $ 246,572 | $ — | $ 258,750 | $ 257,780 | $ — |
| Term loan A-1 | 135,000 | 134,494 | — | 140,625 | 140,098 | — |
| Term loan A-2 | 125,000 | 124,531 | — | — | — | — |
| Revolving credit facility | 598,500 | 594,011 | — | 622,000 | 617,335 | — |
| PRP Mortgage Loan | — | — | — | 47,202 | — | 47,202 |
| Other notes payable | 1,000 | — | 983 | 1,776 | — | 1,659 |

Fair value of debt is determined based on the following:

| DEBT FACILITY | METHODS AND ASSUMPTIONS |
|---|---|
| Senior Secured Credit Facility | Quoted market prices in inactive markets. |
| PRP Mortgage Loan | Assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management. |
| Other notes payable | Discounted cash flow approach. Discounted cash flow inputs primarily include cost of debt rates, which are used to derive the present value factors for the determination of fair value. |

## 14. Income Taxes

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Effective income tax rate | 8.3% | 366.2% | 18.4% | 44.6% |

The effective income tax rate for the thirteen weeks ended June 25, 2017 decreased 357.9% as compared to the thirteen weeks ended June 26, 2016. Approximately 348% of this net decrease was due to the impairment and additional tax liabilities recorded in connection with the sale of Outback Steakhouse South Korea in 2016. The remaining decrease was primarily due to the impact of certain favorable discrete tax items recorded in 2017 and the change in the blend of taxable income across the Company's U.S. and international subsidiaries.

The effective income tax rate for the twenty-six weeks ended June 25, 2017 decreased 26.2% as compared to the twenty-six weeks ended June 26, 2016. Approximately 23% of this net decrease was due to the impairment and additional tax liabilities recorded in connection with the sale of Outback Steakhouse South Korea in 2016. The remaining decrease was primarily due to the impact of certain favorable discrete tax items recorded in 2017 and the change in the blend of taxable income across the Company's U.S. and international subsidiaries.

The effective income tax rate for the thirteen and twenty-six weeks ended June 25, 2017 was lower than the blended federal and state statutory rate of approximately 39%, primarily due to the benefit of employment-related tax credits and certain favorable discrete tax items recorded in 2017.

## 15. Commitments and Contingencies

*Litigation and Other Matters* - The Company had $3.6 million and $3.5 million of liabilities recorded for various legal matters as of June 25, 2017 and December 25, 2016, respectively.

In November 2015, David Sears and Elizabeth Thomas, two former Outback Steakhouse managers ("Manager Plaintiffs"), sent a demand letter seeking unpaid overtime compensation on behalf of all managers and kitchen managers employed at Outback Steakhouse restaurants from November 2012 to present. The Manager Plaintiffs claim that managers were not assigned sufficient management duties to qualify as exempt from overtime. In December 2016, the Company agreed to a tentative class settlement for eligible kitchen managers and accrued a settlement, inclusive of legal fees, of $2.4 million. During the second quarter of 2017, the class period closed and the Company made final payment to the class of $2.3 million.

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, with the exception of wage-and-hour cases which are not covered by insurance. 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* - As a result of the Company assigning its interest in obligations under real estate leases in connection with the sale of certain restaurants, the Company is contingently liable on certain lease agreements. These leases have varying terms, the latest of which expires in 2032. As of June 25, 2017, the potential amount of undiscounted payments the Company could be required to make in the event of non-payment by the primary lessees was approximately $28.6 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of June 25, 2017 was approximately $17.8 million. The Company believes the financial strength and operating history of the buyers significantly reduces the risk that the Company will be required to make payments under these leases. Accordingly, no liability has been recorded.

## 16. Segment Reporting

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

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

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 25, 2016. Revenues for all segments include only transactions with customers and include no intersegment revenues. Excluded from net income from operations for U.S. and International are certain legal and corporate costs not directly related to the performance of the segments, stock-based compensation expenses and certain bonus expenses.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Total revenues | | | | |
| U.S. | $ 917,369 | $ 958,981 | $ 1,949,987 | $ 2,002,760 |
| International | 115,613 | 119,607 | 226,818 | 240,016 |
| Total revenues | $ 1,032,982 | $ 1,078,588 | $ 2,176,805 | $ 2,242,776 |

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Segment income (loss) from operations | | | | |
| U.S. | $ 75,068 | $ 89,010 | $ 176,014 | $ 206,849 |
| International | 9,679 | (34,573) | 18,481 | (23,224) |
| Total segment income from operations | 84,747 | 54,437 | 194,495 | 183,625 |
| Unallocated corporate operating expense | (42,593) | (41,104) | (83,211) | (83,608) |
| Total income from operations | 42,154 | 13,333 | 111,284 | 100,017 |
| Loss on defeasance, extinguishment and modification of debt | (260) | — | (260) | (26,580) |
| Other income (expense), net | 7,281 | (1) | 7,230 | (20) |
| Interest expense, net | (9,543) | (10,302) | (18,684) | (23,177) |
| Income before provision for income taxes | $ 39,632 | $ 3,030 | $ 99,570 | $ 50,240 |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Depreciation and amortization | | | | |
| U.S. | $ 37,406 | $ 38,960 | $ 74,006 | $ 77,162 |
| International | 7,014 | 6,954 | 13,514 | 13,501 |
| Corporate | 3,643 | 3,090 | 7,133 | 5,992 |
| Total depreciation and amortization | $ 48,063 | $ 49,004 | $ 94,653 | $ 96,655 |

**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) Consumer reactions to public health and food safety issues;

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

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

(iv) 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;

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

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

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

(viii) Our ability to protect our information technology systems from interruption or security breach and to protect consumer data and personal employee information;

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

(x) Our ability to preserve and grow the reputation and value of our brands;

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

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

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

(xiv) 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;

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

(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 25, 2016.

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 June 25, 2017, we owned and operated 1,192 restaurants and franchised 296 restaurants across 48 states, Puerto Rico, Guam and 19 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

## Executive Summary

Our financial results for the thirteen weeks ended June 25, 2017 ("second quarter of 2017") include the following:

- A decrease in total revenues of 4.2% to $1.0 billion in the second quarter of 2017, as compared to the second quarter of 2016, was primarily due to refranchising internationally and domestically and the net impact of restaurant closings and new restaurant openings, partially offset by the effect of foreign currency translation and increases in franchise revenues.

- Income from operations of $42.2 million in the second quarter of 2017, as compared to $13.3 million in the second quarter of 2016, increased primarily due to impairment related to the sale of Outback Steakhouse South Korea in 2016 and increases in franchise revenues, partially offset by a decrease in restaurant-level operating margin and the timing of our annual partner's conference which occurred in Q2 of 2017 and Q1 of 2016.

Following is a summary of significant actions we have taken and other factors that impacted our operating results and liquidity to date in 2017:

*Refranchising* - During the thirteen weeks ended June 25, 2017, we completed the sale of 54 of our existing U.S. Company-owned Outback Steakhouse and Carrabba's Italian Grill locations for aggregate cash proceeds of $36.2 million, net of certain closing adjustments. The transactions resulted in aggregate net gain of $7.4 million within Other income (expense), net, in the Consolidated Statements of Operations and Other Comprehensive Income. See Note 2 - *Disposals* of our Notes to Consolidated Financial Statements for additional details.

*Sale-leaseback Transactions* - During the twenty-six weeks ended June 25, 2017, we entered into sale-leaseback transactions with third-parties in which we sold 15 restaurant properties at fair market value for gross proceeds of $57.5 million. Subsequent to June 25, 2017, we entered into sale-leaseback transactions with third-parties in which we sold ten restaurant properties at fair market value for gross proceeds of $32.3 million.

*2017 Closure Initiative* - On February 15, 2017, we decided to close 43 underperforming restaurants. Most of these restaurants were closed in 2017 to date, with the balance closing as leases and certain operating covenants expire or are amended or waived. See Note 3 - *Impairments and Exit Costs* of our Notes to Consolidated Financial Statements for additional details regarding the 2017 Closure Initiative.

*Credit Agreement Amendment* - On May 22, 2017, OSI entered into an Amendment to its existing Credit Agreement, dated October 26, 2012. The Amendment provided an incremental Term loan A-2 in an aggregate principal amount of $125.0 million, a portion of which was used to repay outstanding borrowings under our revolving credit facility. See Note 9 - *Long-term Debt, Net* of our Notes to Consolidated Financial Statements for additional details regarding the Amendment to the Credit Agreement.

*Share Repurchase Programs* - On April 21, 2017, the Board approved the 2017 Share Repurchase Program, a new $250.0 million authorization which will expire on October 21, 2018. We repurchased 11.5 million shares of common stock year-to-date for a total of $232.7 million and had $95.0 million remaining available for repurchase under the 2017 Share Repurchase Program, through the date of this filing.

**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 per restaurant to measure changes in customer traffic, pricing and development of the brand;

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

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

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

  Restaurant-level operating margin is widely regarded in the industry as a useful metric to evaluate restaurant-level operating efficiency and performance of ongoing restaurant-level operations, and we use it for these purposes, overall and particularly within our two segments. Our restaurant-level operating margin is expressed as the percentage of our Restaurant sales that Cost of sales, Labor and other related and Other restaurant operating (including advertising expenses) represent, in each case as such items are reflected in our Consolidated Statement of Operations. The following categories of our revenue and operating expenses are not included in restaurant-level operating margin because we do not consider them reflective of operating performance at the restaurant-level within a period:

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

- *Adjusted restaurant-level operating margin, Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share*—non-GAAP financial measures utilized to evaluate our operating performance, and for which definitions, usefulness and reconciliations are described in more detail in the "Non-GAAP Financial Measures" section below; 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 at the end of the periods indicated:

| Number of restaurants (at end of the period): | JUNE 25, 2017 | JUNE 26, 2016 |
|---|---|---|
| U.S. | | |
| Outback Steakhouse | | |
| Company-owned (1) | 584 | 650 |
| Franchised (1) | 158 | 105 |
| Total | 742 | 755 |
| Carrabba's Italian Grill | | |
| Company-owned (1) | 227 | 244 |
| Franchised (1) | 3 | 3 |
| Total | 230 | 247 |
| Bonefish Grill | | |
| Company-owned | 196 | 204 |
| Franchised | 7 | 6 |
| Total | 203 | 210 |
| Fleming's Prime Steakhouse & Wine Bar | | |
| Company-owned | 67 | 66 |
| International | | |
| Company-owned | | |
| Outback Steakhouse - Brazil (2) | 85 | 78 |
| Outback Steakhouse - South Korea (3) | — | 74 |
| Other | 33 | 19 |
| Franchised | | |
| Outback Steakhouse - South Korea (3) | 74 | — |
| Other | 54 | 52 |
| Total | 246 | 223 |
| System-wide total | 1,488 | 1,501 |

(1) In April 2017, we sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant which are now operated as franchises under agreements with the Buyers.
(2) The restaurant counts for Brazil are reported as of May 31, 2017 and 2016, respectively, to correspond with the balance sheet dates of this subsidiary.
(3) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

## Results of Operations

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Revenues | | | | |
| Restaurant sales | 98.7 % | 99.4 % | 99.0 % | 99.5 % |
| Franchise and other revenues | 1.3 | 0.6 | 1.0 | 0.5 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Costs and expenses | | | | |
| Cost of sales (1) | 31.7 | 32.3 | 31.9 | 32.4 |
| Labor and other related (1) | 29.2 | 28.8 | 28.9 | 28.3 |
| Other restaurant operating (1) | 23.9 | 23.4 | 22.8 | 22.6 |
| Depreciation and amortization | 4.7 | 4.5 | 4.3 | 4.3 |
| General and administrative | 7.5 | 6.4 | 6.8 | 6.4 |
| Provision for impaired assets and restaurant closings | 0.1 | 3.8 | 0.9 | 2.0 |
| Total costs and expenses | 95.9 | 98.8 | 94.9 | 95.5 |
| Income from operations | 4.1 | 1.2 | 5.1 | 4.5 |
| Loss on defeasance, extinguishment and modification of debt | (*) | — | (*) | (1.2) |
| Other income (expense), net | 0.7 | (*) | 0.3 | (*) |
| Interest expense, net | (1.0) | (0.9) | (0.8) | (1.1) |
| Income before provision for income taxes | 3.8 | 0.3 | 4.6 | 2.2 |
| Provision for income taxes | 0.3 | 1.0 | 0.8 | 1.0 |
| Net income (loss) | 3.5 | (0.7) | 3.8 | 1.2 |
| Less: net income attributable to noncontrolling interests | 0.1 | 0.2 | 0.1 | 0.1 |
| Net income (loss) attributable to Bloomin' Brands | 3.4 % | (0.9)% | 3.7 % | 1.1 % |

(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 thirteen and twenty-six weeks ended June 25, 2017:

| (dollars in millions) | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| For the period ending June 26, 2016 | $ 1,072.5 | $ 2,230.6 |
| Change from: | | |
| Divestiture of restaurants through refranchising transactions | (68.4) | (110.7) |
| Restaurant closings | (23.0) | (40.1) |
| Restaurant openings | 21.3 | 41.7 |
| Effect of foreign currency translation | 12.2 | 30.1 |
| Comparable restaurant sales | 5.4 | 3.8 |
| For the period ending June 25, 2017 | $ 1,020.0 | $ 2,155.4 |

The decrease in Restaurant sales in the thirteen weeks ended June 25, 2017 was primarily attributable to: (i) refranchising internationally and domestically and (ii) the closing of 51 restaurants since March 27, 2016. The decrease in restaurant sales was partially offset by: (i) the opening of 48 new restaurants not included in our comparable restaurant sales base and (ii) the effect of foreign currency translation, due to the appreciation of the Brazil Real.

The decrease in Restaurant sales in the twenty-six weeks ended June 25, 2017 was primarily attributable to: (i) refranchising internationally and domestically and (ii) the closing of 54 restaurants since December 27, 2015. The decrease in restaurant sales was partially offset by: (i) the opening of 57 new restaurants not included in our comparable restaurant sales base and (ii) the effect of foreign currency translation, due to the appreciation of the Brazil Real.

*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):

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Year over year percentage change: | | | | |
| Comparable restaurant sales (stores open 18 months or more) (1): | | | | |
| U.S. | | | | |
| Outback Steakhouse | 0.3 % | (2.5)% | 0.9 % | (1.9)% |
| Carrabba's Italian Grill | 0.4 % | (4.8)% | (1.8)% | (3.3)% |
| Bonefish Grill | (2.6)% | 0.9 % | (1.6)% | (1.0)% |
| Fleming's Prime Steakhouse & Wine Bar | (1.3)% | (0.8)% | (2.1)% | 0.3 % |
| Combined U.S. | (0.3)% | (2.3)% | (0.3)% | (1.9)% |
| International | | | | |
| Outback Steakhouse - Brazil (2) | 12.6 % | 3.9 % | 8.2 % | 6.4 % |
| | | | | |
| Traffic: | | | | |
| U.S. | | | | |
| Outback Steakhouse | (0.8)% | (5.9)% | (1.5)% | (4.4)% |
| Carrabba's Italian Grill | (2.0)% | (4.8)% | (4.7)% | (1.6)% |
| Bonefish Grill | (3.1)% | (2.8)% | (2.6)% | (4.0)% |
| Fleming's Prime Steakhouse & Wine Bar | (5.5)% | (3.7)% | (6.5)% | (1.2)% |
| Combined U.S. | (1.5)% | (5.2)% | (2.5)% | (3.7)% |
| International | | | | |
| Outback Steakhouse - Brazil | 3.2 % | (1.5)% | 0.7 % | (0.4)% |
| | | | | |
| Average check per person increases (decreases) (3): | | | | |
| U.S. | | | | |
| Outback Steakhouse | 1.1 % | 3.4 % | 2.4 % | 2.5 % |
| Carrabba's Italian Grill | 2.4 % | — % | 2.9 % | (1.7)% |
| Bonefish Grill | 0.5 % | 3.7 % | 1.0 % | 3.0 % |
| Fleming's Prime Steakhouse & Wine Bar | 4.2 % | 2.9 % | 4.4 % | 1.5 % |
| Combined U.S. | 1.2 % | 2.9 % | 2.2 % | 1.8 % |
| International | | | | |
| Outback Steakhouse - Brazil | 8.2 % | 6.3 % | 7.3 % | 6.7 % |

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

(2) Includes trading day impact from calendar period reporting of 1.2% and (0.9%) for the thirteen weeks ended June 25, 2017 and June 26, 2016, respectively and 0.2% and 0.1% for the twenty-six weeks ended June 25, 2017 and June 26, 2016, respectively.

(3) Increases (decreases) in average check per person includes the impact of menu pricing changes, product mix and discounts.

*Average Restaurant Unit Volumes and Operating Weeks*

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Average restaurant unit volumes: | | | | |
| U.S. | | | | |
| Outback Steakhouse | $ 66,065 | $ 65,158 | $ 69,165 | $ 67,978 |
| Carrabba's Italian Grill | $ 57,114 | $ 55,396 | $ 58,362 | $ 58,267 |
| Bonefish Grill | $ 59,431 | $ 60,136 | $ 61,227 | $ 61,462 |
| Fleming's Prime Steakhouse & Wine Bar | $ 80,707 | $ 80,432 | $ 84,571 | $ 85,171 |
| International | | | | |
| Outback Steakhouse - Brazil (1) | $ 86,653 | $ 68,534 | $ 85,925 | $ 68,289 |
| Operating weeks: | | | | |
| U.S. | | | | |
| Outback Steakhouse | 7,821 | 8,440 | 16,193 | 16,884 |
| Carrabba's Italian Grill | 2,956 | 3,172 | 6,024 | 6,344 |
| Bonefish Grill | 2,548 | 2,653 | 5,148 | 5,362 |
| Fleming's Prime Steakhouse & Wine Bar | 871 | 858 | 1,749 | 1,716 |
| International | | | | |
| Outback Steakhouse - Brazil | 1,106 | 1,008 | 2,173 | 1,984 |

(1) Translated at an average exchange rate of 3.16 and 3.59 for the thirteen weeks ended June 25, 2017 and June 26, 2016, respectively and 3.19 and 3.77 for the twenty-six weeks ended June 25, 2017 and June 26, 2016, respectively.

*Franchise and other revenues*

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in millions)** | JUNE 25, 2017 | JUNE 26, 2016 | JUNE 25, 2017 | JUNE 26, 2016 |
| Franchise revenues (1) | $ 9.3 | $ 4.5 | $ 15.9 | $ 9.1 |
| Other revenues | 3.7 | 1.6 | 5.5 | 3.1 |
| Franchise and other revenues | $ 13.0 | $ 6.1 | $ 21.4 | $ 12.2 |

(1) Represents franchise royalties and initial franchise fees.

## COSTS AND EXPENSES

*Cost of sales*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | JUNE 25, 2017 | JUNE 26, 2016 | Change | JUNE 25, 2017 | JUNE 26, 2016 | Change |
| Cost of sales | $ 323.1 | $ 346.8 | | $ 687.9 | $ 722.1 | |
| % of Restaurant sales | 31.7% | 32.3% | (0.6)% | 31.9% | 32.4% | (0.5)% |

Cost of sales, consisting of food and beverage costs, decreased as a percentage of Restaurant sales in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.8% from increases in average check per person, (ii) 0.5% lower beef costs and (iii) 0.3% from the impact of certain cost saving initiatives. These decreases were partially offset by increases as a percentage of Restaurant sales primarily attributable to: (i) 0.6% for other commodity costs and (ii) 0.2% for product investments at Outback Steakhouse.

Cost of sales decreased as a percentage of Restaurant sales in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.7% from increases in average check per person, (ii) 0.4% lower beef costs and (iii) 0.3% from the impact of certain cost saving initiatives. These decreases were partially offset by increases as a percentage of Restaurant sales primarily attributable to: (i) 0.4% for other commodity costs and (ii) 0.3% for product investments at Outback Steakhouse.

*Labor and other related expenses*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** |
| Labor and other related | $ 297.9 | $ 309.2 | | $ 622.3 | $ 632.0 | |
| % of Restaurant sales | 29.2% | 28.8% | 0.4% | 28.9% | 28.3% | 0.6% |

Labor and other related expenses increased as a percentage of Restaurant sales in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016. The increase as a percentage of Restaurant sales was primarily due to 1.4% of higher kitchen and service labor costs due to wage rate increases and investments in our service model. The increase was offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.5% from increases in average check per person and (ii) 0.3% impact from the sale of Outback Steakhouse South Korea in 2016.

Labor and other related expenses increased as a percentage of Restaurant sales in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016. The increase as a percentage of Restaurant sales was primarily due to 1.5% of higher kitchen and service labor costs due to wage rate increases and investments in our service model. The increase was partially offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.6% from increases in average check per person and (ii) 0.3% impact from the sale of Outback Steakhouse South Korea in 2016.

*Other restaurant operating expenses*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** |
| Other restaurant operating | $ 244.1 | $ 250.4 | | $ 492.1 | $ 504.0 | |
| % of Restaurant sales | 23.9% | 23.4% | 0.5% | 22.8% | 22.6% | 0.2% |

Other restaurant operating expenses increased as a percentage of Restaurant sales in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016. The increase as a percentage of Restaurant sales was primarily due to: (i) 0.8% from operating expense inflation and (ii) 0.4% from higher rent expense due to the sale-leaseback of certain properties. These increases were partially offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.4% from higher advertising expense in 2016, (ii) 0.3% from lower insurance costs and (iii) 0.2% from the impact of certain cost saving initiatives.

Other restaurant operating expenses increased as a percentage of Restaurant sales in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016. The increase as a percentage of Restaurant sales was primarily due to: (i) 0.7% from operating expense inflation and (ii) 0.5% from higher rent expense due to the sale-leaseback of certain properties. These increases were partially offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.6% from higher advertising expense in 2016, (ii) 0.2% from lower insurance costs and (iii) 0.2% from the impact of certain cost saving initiatives.

*Depreciation and amortization*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** |
| Depreciation and amortization | $ 48.1 | $ 49.0 | $ (0.9) | $ 94.7 | $ 96.7 | $ (2.0) |

Depreciation and amortization expense decreased in the thirteen and twenty-six weeks ended June 25, 2017 as compared to the thirteen and twenty-six weeks ended June 26, 2016. The decrease was primarily due to: (i) refranchising internationally and domestically, (ii) disposal of assets related to the sale-leaseback of certain properties, (iii) assets impaired in connection with the 2017 Closure Initiative, partially offset by additional depreciation expense related to the opening of new restaurants and the relocation or remodel of existing restaurants.

*General and administrative*

General and administrative expense includes salaries and benefits, management incentive programs, related payroll tax and benefits, other employee-related costs and professional services. Following is a summary of the change in general and administrative expense for the thirteen and twenty-six weeks ended June 25, 2017:

| **(dollars in millions)** | **THIRTEEN WEEKS ENDED** | **TWENTY-SIX WEEKS ENDED** |
|---|---|---|
| For the period ended June 26, 2016 | $ 68.6 | $ 143.6 |
| Change from: | | |
| Conference expense (1) | 4.2 | (0.2) |
| Legal and professional fees (2) | 1.3 | 2.3 |
| Foreign currency exchange (3) | 1.2 | 2.6 |
| Compensation, benefits and payroll tax (4) | (0.5) | (2.7) |
| Other | 2.3 | 3.4 |
| For the period ended June 25, 2017 | $ 77.1 | $ 149.0 |

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(1) Conference expense was higher during the second quarter of 2017 due to the timing of our annual managing partner conference.
(2) Legal and professional fees were higher primarily due to certain tax projects.
(3) Foreign currency exchange primarily includes appreciation of the Brazil Real.
(4) Employee compensation, benefits and payroll tax was lower primarily due to lower headcount resulting from the sale of Outback Steakhouse South Korea and the restructuring of certain corporate functions in 2016.

*Provision for impaired assets and restaurant closings*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** |
| Provision for impaired assets and restaurant closings | $ 0.6 | $ 41.3 | $ (40.7) | $ 19.7 | $ 44.4 | $ (24.7) |

*Sale of Outback Steakhouse South Korea* - On July 25, 2016, we completed the sale of Outback Steakhouse South Korea. In connection with the decision to sell Outback Steakhouse South Korea, we recognized an impairment charge of $39.6 million during thirteen and twenty-six weeks ended June 26, 2016.

*Closure Initiatives* - Following is a summary of expenses related to the Closure Initiatives recognized in Provision for impaired assets and restaurant closings in our Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| ***Impairment, facility closure and other expenses*** | | | | |
| 2017 Closure Initiative (1) | $ (0.2) | $ — | $ 17.2 | $ — |
| Bonefish Restructuring (2) | — | 0.8 | 0.8 | 4.4 |
| **Impairment, facility closure and other expense for Closure Initiatives** | $ (0.2) | $ 0.8 | $ 18.0 | $ 4.4 |

(1) We expect to incur additional charges of approximately $3.2 million to $4.1 million for the 2017 Closure Initiative over the next two years, including costs associated with lease obligations and other closure related obligations.
(2) We expect to incur additional charges of approximately $2.2 million to $5.1 million for the Bonefish Restructuring over the next three years, including costs associated with lease obligations and other closure related obligations.

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

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

*Income from operations*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** | **JUNE 25, 2017** | **JUNE 26, 2016** | **Change** |
| Income from operations | $ 42.2 | $ 13.3 | $ 28.9 | $ 111.3 | $ 100.0 | $ 11.3 |
| % of Total revenues | 4.1% | 1.2% | 2.9% | 5.1% | 4.5% | 0.6% |

The increase in income from operations generated in the thirteen and twenty-six weeks ended June 25, 2017 as compared to the thirteen and twenty-six weeks ended June 26, 2016 was primarily due to: (i) impairment related to the sale of Outback Steakhouse South Korea in 2016 and (ii) increases in franchise revenues. These increases were partially offset by decreases primarily due to: (i) a decrease in restaurant-level operating margin and (ii) higher general and administrative expense.

*Loss on defeasance, extinguishment and modification of debt*

In connection with an Amendment to OSI's Credit Agreement in May 2017, we recognized a loss on modification of debt of $0.3 million for the thirteen and twenty-six weeks ended June 25, 2017. As a result of the February 2016 defeasance of our 2012 CMBS loan, we recognized a loss on defeasance and extinguishment of debt of $26.6 million for the twenty-six weeks ended June 26, 2016.

*Other income (expense), net*

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

*Interest expense, net*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 25, 2017 | JUNE 26, 2016 | Change | JUNE 25, 2017 | JUNE 26, 2016 | Change |
| Interest expense, net | $ 9.5 | $ 10.3 | $ (0.8) | $ 18.7 | $ 23.2 | $ (4.5) |

The decrease in interest expense, net in the thirteen and twenty-six weeks ended June 25, 2017 as compared to the thirteen and twenty-six weeks ended June 26, 2016 was primarily due to lower interest expense related to the February 2016 refinancing and subsequent repayment of the PRP Mortgage loan in April 2017, partially offset by higher interest expense from: (i) additional draws on our revolving credit facility and (ii) our May 2017 incremental Term loan A-2.

*Provision for income taxes*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| | JUNE 25, 2017 | JUNE 26, 2016 | Change | JUNE 25, 2017 | JUNE 26, 2016 | Change |
| Effective income tax rate | 8.3% | 366.2% | (357.9)% | 18.4% | 44.6% | (26.2)% |

The effective income tax rate for the thirteen weeks ended June 25, 2017 decreased 357.9% as compared to the thirteen weeks ended June 26, 2016. Approximately 348% of this net decrease was due to the impairment and additional tax liabilities recorded in connection with the sale of Outback Steakhouse South Korea in 2016. The remaining decrease was primarily due to the impact of certain favorable discrete tax items recorded in 2017 and the change in the blend of taxable income across our U.S. and international subsidiaries.

The effective income tax rate for the twenty-six weeks ended June 25, 2017 decreased 26.2% as compared to the twenty-six weeks ended June 26, 2016. Approximately 23% of this net decrease was due to the impairment and additional tax liabilities recorded in connection with the sale of Outback Steakhouse South Korea in 2016. The remaining decrease was primarily due to the impact of certain favorable discrete tax items recorded in 2017 and the change in the blend of taxable income across our U.S. and international subsidiaries.

## SEGMENT PERFORMANCE

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

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

Revenues for both segments include only transactions with customers and include no intersegment revenues. Excluded from net income from operations for U.S. and International are legal and certain corporate costs not directly related to the performance of the segments, certain stock-based compensation expenses and certain bonus expenses.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Segment income (loss) from operations | | | | |
| U.S. | $ 75,068 | $ 89,010 | $ 176,014 | $ 206,849 |
| International | 9,679 | (34,573) | 18,481 | (23,224) |
| Total segment income from operations | 84,747 | 54,437 | 194,495 | 183,625 |
| Unallocated corporate operating expense | (42,593) | (41,104) | (83,211) | (83,608) |
| Total income from operations | 42,154 | 13,333 | 111,284 | 100,017 |
| Loss on defeasance, extinguishment and modification of debt | (260) | — | (260) | (26,580) |
| Other income (expense), net | 7,281 | (1) | 7,230 | (20) |
| Interest expense, net | (9,543) | (10,302) | (18,684) | (23,177) |
| Income before provision for income taxes | $ 39,632 | $ 3,030 | $ 99,570 | $ 50,240 |

## U.S. Segment

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Revenues | | | | |
| Restaurant sales | $ 907,037 | $ 953,992 | $ 1,934,249 | $ 1,992,741 |
| Franchise and other revenues | 10,332 | 4,989 | 15,738 | 10,019 |
| Total revenues | $ 917,369 | $ 958,981 | $ 1,949,987 | $ 2,002,760 |
| Restaurant-level operating margin | 14.1% | 15.5% | 15.8% | 16.5% |
| Income from operations | $ 75,068 | $ 89,010 | $ 176,014 | $ 206,849 |
| Operating income margin | 8.2% | 9.3% | 9.0% | 10.3% |

*Restaurant sales*

Following is a summary of the change in U.S. segment Restaurant sales for the thirteen and twenty-six weeks ended June 25, 2017:

| **(dollars in millions)** | **THIRTEEN WEEKS ENDED** | **TWENTY-SIX WEEKS ENDED** |
|---|---|---|
| For the period ending June 26, 2016 | $ 954.0 | $ 1,992.8 |
| Change from: | | |
| Divestiture of restaurants through refranchising transactions | (31.7) | (32.0) |
| Restaurant Closings | (22.6) | (39.1) |
| Comparable restaurant sales | (2.2) | (6.0) |
| Restaurant openings | 9.6 | 18.5 |
| For the period ending June 25, 2017 | $ 907.1 | $ 1,934.2 |

The decrease in U.S. Restaurant sales in the thirteen weeks ended June 25, 2017 was primarily attributable to: (i) the refranchising of certain U.S. Company-owned restaurants in April 2017 and (ii) the closing of 49 restaurants since March 27, 2016, partially offset by the opening of 13 new restaurants not included in our comparable restaurant sales base.

The decrease in U.S. Restaurant sales in the twenty-six weeks ended June 25, 2017 was primarily attributable to: (i) the closing of 51 restaurants since December 27, 2015, (ii) the refranchising of certain U.S. Company-owned restaurants in April 2017 and (iii) lower comparable restaurant sales, partially offset by the opening of 16 new restaurants not included in our comparable restaurant sales base.

*Restaurant-level operating margin*

The decrease in U.S. restaurant-level operating margin in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016, was primarily due to: (i) higher labor costs, (ii) operating expense inflation, (iii) service and product investments at Outback Steakhouse and (iv) higher net rent expense due to the sale-leaseback of certain properties. These decreases were partially offset by: (i) increases in average check per person, (ii) lower advertising expense, (iii) the impact of certain cost saving initiatives and (iv) lower insurance costs.

The decrease in U.S. restaurant-level operating margin in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016, was primarily due to: (i) higher labor costs, (ii) operating expense inflation, (iii) service and product investments at Outback Steakhouse and (iv) higher net rent expense due to the sale-leaseback of certain properties. These decreases were partially offset by: (i) increases in average check per person, (ii) lower advertising expense and (iii) the impact of certain cost saving initiatives.

*Income from operations*

The decrease in U.S. income from operations generated in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016, was primarily due to lower operating margin at the restaurant-level, partially offset by increases in franchise revenues.

The decrease in U.S. income from operations generated in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016, was primarily due to: (i) lower operating margin at the restaurant-level and (ii) restaurant closing costs from the 2017 Closure Initiative, partially offset by increases in franchise revenues.

## International Segment

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Revenues | | | | |
| Restaurant sales | $ 112,920 | $ 118,527 | $ 221,196 | $ 237,830 |
| Franchise and other revenues | 2,693 | 1,080 | 5,622 | 2,186 |
| Total revenues | $ 115,613 | $ 119,607 | $ 226,818 | $ 240,016 |
| Restaurant-level operating margin | 21.1% | 16.2 % | 20.7% | 17.8 % |
| Income (loss) from operations | $ 9,679 | $ (34,573) | $ 18,481 | $ (23,224) |
| Operating income (loss) margin | 8.4% | (28.9)% | 8.1% | (9.7)% |

*Restaurant sales*

Following is a summary of the change in International segment Restaurant sales for the thirteen and twenty-six weeks ended June 25, 2017:

| (dollars in millions) | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| For the period ending June 26, 2016 | $ 118.5 | $ 237.8 |
| Change from: | | |
| Refranchising of Outback Steakhouse South Korea | (36.7) | (78.7) |
| Restaurant closings | (0.4) | (1.0) |
| Effect of foreign currency translation | 12.2 | 30.1 |
| Restaurant openings | 11.7 | 23.2 |
| Comparable restaurant sales | 7.6 | 9.8 |
| For the period ending June 25, 2017 | $ 112.9 | $ 221.2 |

The decrease in Restaurant sales in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016 was primarily attributable to the refranchising of Outback Steakhouse South Korea in 2016, partially offset by: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar, (ii) the opening of 35 new restaurants not included in our comparable restaurant sales base and (iii) an increase in comparable restaurant sales.

The decrease in Restaurant sales in the twenty-six weeks ended June 25, 2017 as compare to the twenty-six weeks ended June 26, 2016 primarily attributable to the refranchising of Outback Steakhouse South Korea in 2016, partially offset by: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar, (ii) the opening of 41 new restaurants not included in our comparable restaurant sales base and (iii) an increase in comparable restaurant sales.

*Restaurant-level operating margin*

The increase in International restaurant-level operating margin in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016 was primarily due to: (i) increases in average check per person, (ii) the impact of the sale of Outback Steakhouse South Korea in 2016 and (iii) the impact of certain cost saving initiatives. These increases were partially offset by: (i) higher labor and commodity inflation and (ii) higher advertising expense.

The increase in International restaurant-level operating margin in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016 was primarily due to: (i) increases in average check per person, (ii) the impact of the sale of Outback Steakhouse South Korea in 2016 and (iii) the impact of certain cost saving initiatives. These increases were partially offset by: (i) higher labor and commodity inflation and (ii) operating expense inflation.

*Income from operations*

The increase in International income from operations in the thirteen weeks ended June 25, 2017 as compared to the thirteen weeks ended June 26, 2016 was primarily due to: (i) impairment related to the sale of Outback Steakhouse South Korea in 2016 and (ii) higher operating margin at the restaurant-level.

The increase in International income from operations in the twenty-six weeks ended June 25, 2017 as compared to the twenty-six weeks ended June 26, 2016 was primarily due to: (i) impairment related to the sale of Outback Steakhouse South Korea in 2016, (ii) increases in franchise revenues and (iii) higher operating margin at the restaurant-level, partially offset by higher General administrative expense. General and administrative expense for the International segment increased primarily from the effects of foreign currency exchange.

**Non-GAAP Financial Measures**

In addition to the results provided in accordance with U.S. GAAP, we provide certain non-GAAP measures, which present operating results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with U.S. GAAP and include the following: (i) system-wide sales, (ii) Adjusted restaurant-level operating margins, (iii) Adjusted income from operations and the corresponding margins, (iv) Adjusted net income and (v) Adjusted diluted earnings per share.

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.

These non-GAAP financial measures are not intended to replace U.S. GAAP financial measures, and they are not necessarily standardized or comparable to similarly titled measures used by other companies. We maintain internal guidelines with respect to the types of adjustments we include in our non-GAAP measures. These guidelines endeavor to differentiate between types of gains and expenses that are reflective of our core operations in a period, and those that may vary from period to period without correlation to our core performance in that period. However, implementation of these guidelines necessarily involves the application of judgment, and the treatment of any items not directly addressed by, or changes to, our guidelines will be considered by our disclosure committee. Refer to the reconciliations of non-GAAP measures for descriptions of the actual adjustments made in the current periods and the corresponding prior periods.

As previously announced, based on a review of our non-GAAP presentations, we determined that, commencing with our results for the first fiscal quarter of 2017, when presenting the non-GAAP measures Adjusted income from operations and the corresponding margins, Adjusted net income and Adjusted diluted earnings per share, we will no longer adjust for expenses incurred in connection with our remodel program or intangible amortization recorded as a result of the acquisition of our Brazil operations. We recast historical comparable periods to conform to the revised presentation.

Table of Contents


*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. Following is a summary of sales of Company-owned restaurants:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **COMPANY-OWNED RESTAURANT SALES (dollars in millions)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| U.S. | | | | |
| Outback Steakhouse (1) | $ 517 | $ 550 | $ 1,120 | $ 1,148 |
| Carrabba's Italian Grill (1) | 168 | 176 | 351 | 370 |
| Bonefish Grill | 151 | 159 | 315 | 329 |
| Fleming's Prime Steakhouse & Wine Bar | 71 | 69 | 148 | 146 |
| Total | $ 907 | $ 954 | $ 1,934 | $ 1,993 |
| International | | | | |
| Outback Steakhouse-Brazil | $ 96 | $ 69 | $ 187 | $ 135 |
| Outback Steakhouse-South Korea (2) | — | 37 | — | 79 |
| Other | 17 | 13 | 34 | 24 |
| Total | $ 113 | $ 119 | $ 221 | $ 238 |
| Total Company-owned restaurant sales | $ 1,020 | $ 1,073 | $ 2,155 | $ 2,231 |

(1) In April 2017, we sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant which are now operated as franchises under agreements with the Buyers.
(2) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **FRANCHISE SALES (dollars in millions) (1)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| U.S. | | | | |
| Outback Steakhouse (2) | $ 114 | $ 83 | $ 204 | $ 175 |
| Carrabba's Italian Grill (2) | 2 | 3 | 4 | 6 |
| Bonefish Grill | 4 | 4 | 8 | 7 |
| Total | 120 | 90 | 216 | 188 |
| International | | | | |
| Outback Steakhouse-South Korea (3) | 40 | — | 84 | — |
| Other | 28 | 28 | 57 | 56 |
| Total | 68 | 28 | 141 | 56 |
| Total franchise sales (1) | $ 188 | $ 118 | $ 357 | $ 244 |
| Income from franchise sales (4) | $ 9 | $ 4 | $ 16 | $ 9 |

(1) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive Income.
(2) In April 2017, we sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant which are now operated as franchises under agreements with the Buyers.
(3) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

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

*Adjusted restaurant-level operating margin*

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

| | THIRTEEN WEEKS ENDED | | | |
|---|---|---|---|---|
| | JUNE 25, 2017 | | JUNE 26, 2016 | |
| | U.S. GAAP | ADJUSTED | U.S. GAAP | ADJUSTED (1) |
| Restaurant sales | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| Cost of sales | 31.7% | 31.7% | 32.3% | 32.3% |
| Labor and other related | 29.2% | 29.2% | 28.8% | 28.8% |
| Other restaurant operating | 23.9% | 23.9% | 23.4% | 23.3% |
| | | | | |
| Restaurant-level operating margin | 15.2% | 15.2% | 15.5% | 15.5% |

| | TWENTY-SIX WEEKS ENDED | | | |
|---|---|---|---|---|
| | JUNE 25, 2017 | | JUNE 26, 2016 | |
| | U.S. GAAP | ADJUSTED (2) | U.S. GAAP | ADJUSTED (1)(3) |
| Restaurant sales | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| Cost of sales | 31.9% | 31.9% | 32.4% | 32.4% |
| Labor and other related | 28.9% | 28.9% | 28.3% | 28.3% |
| Other restaurant operating | 22.8% | 23.1% | 22.6% | 22.7% |
| | | | | |
| Restaurant-level operating margin | 16.4% | 16.1% | 16.7% | 16.6% |

(1) Includes adjustments for loss of $0.3 million on the sale of certain properties, recorded in Other restaurant operating.
(2) Includes adjustments for the write-off of $5.3 million of deferred rent liabilities associated with the 2017 Closure Initiative and our relocation program, recorded in Other restaurant operating.
(3) Includes adjustments for the write-off of $1.9 million of deferred rent liabilities, primarily associated with the Bonefish Restructuring, recorded in Other restaurant operating.

*Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share*

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(in thousands, except per share data)** | **JUNE 25, 2017** | **JUNE 26, 2016** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Income from operations | $ 42,154 | $ 13,333 | $ 111,284 | $ 100,017 |
| *Operating income margin* | 4.1% | 1.2% | 5.1% | 4.5% |
| Adjustments: | | | | |
| Restaurant relocations and related costs (1) | 2,251 | 550 | 4,358 | 906 |
| Transaction-related expenses (2) | 1,240 | (106) | 1,447 | 466 |
| Restaurant impairments and closing costs (3) | 702 | 335 | 16,199 | 2,120 |
| Asset impairments and related costs (4) | — | 39,677 | — | 40,023 |
| Severance (5) | — | 737 | — | 1,872 |
| Total income from operations adjustments | 4,193 | 41,193 | 22,004 | 45,387 |
| Adjusted income from operations | $ 46,347 | $ 54,526 | $ 133,288 | $ 145,404 |
| *Adjusted operating income margin* | 4.5% | 5.1% | 6.1% | 6.5% |
| | | | | |
| Net income (loss) attributable to Bloomin' Brands | $ 35,630 | $ (9,177) | $ 79,540 | $ 25,298 |
| Adjustments: | | | | |
| Income from operations adjustments | 4,193 | 41,193 | 22,004 | 45,387 |
| Gain on disposal of business (6) | (7,284) | — | (7,284) | — |
| Loss on defeasance, extinguishment and modification of debt (7) | 260 | — | 260 | 26,580 |
| Total adjustments, before income taxes | (2,831) | 41,193 | 14,980 | 71,967 |
| Adjustment to provision for income taxes (8) | (4,525) | 2,032 | (8,944) | (7,044) |
| Net adjustments | (7,356) | 43,225 | 6,036 | 64,923 |
| Adjusted net income | $ 28,274 | $ 34,048 | $ 85,576 | $ 90,221 |
| | | | | |
| Diluted earnings (loss) per share | $ 0.35 | $ (0.08) | $ 0.76 | $ 0.21 |
| Adjusted diluted earnings per share | $ 0.28 | $ 0.29 | $ 0.82 | $ 0.76 |
| | | | | |
| Basic weighted average common shares outstanding | 98,852 | 113,330 | 100,963 | 115,630 |
| Diluted weighted average common shares outstanding (9) | 102,421 | 116,343 | 104,417 | 118,560 |

________________

(1) Represents asset impairment charges and accelerated depreciation incurred in connection with our relocation program.
(2) Relates primarily to the following: (i) professional fees related to certain income tax items in which the associated tax benefit is adjusted in Adjustments to provision for income taxes, as described in footnote 8 to this table, and (ii) costs incurred in connection with our sale-leaseback initiative.
(3) Represents expenses incurred for approved closure and restructuring initiatives.
(4) Represents asset impairment charges and related costs associated with the decision to sell Outback Steakhouse South Korea in 2016.
(5) Relates to severance expense incurred primarily as a result of the relocation of our Fleming's operations center to the corporate home office in 2016.
(6) Primarily relates to the sale of 54 U.S. Company-owned restaurants to existing franchisees.
(7) Relates to modification of our Credit Agreement in 2017 and the defeasance of the 2012 CMBS loan in 2016.
(8) Represents income tax effect of the adjustments for the thirteen and twenty-six weeks ended June 25, 2017 and June 26, 2016. Adjustments include the impact of excluding $4.6 million of discrete income tax items for the thirteen and twenty-six weeks ended June 25, 2017.
(9) Due to the GAAP net loss in the thirteen weeks ended June 26, 2016, the effect of dilutive securities was excluded from the calculation of GAAP diluted loss per share for that period. For adjusted diluted earnings per share, the calculation includes dilutive shares of 3,013 for the thirteen weeks ended June 26, 2016.

## Liquidity and Capital Resources

### LIQUIDITY

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

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

*Cash and Cash Equivalents* - As of June 25, 2017, we had $103.5 million in cash and cash equivalents, of which $39.2 million was held by foreign affiliates, a portion of which would be subject to additional taxes if repatriated to the United States. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit the repatriation of cash and cash equivalents.

*Refranchising* - In April 2017, we completed the sale of 54 of our existing Outback Steakhouse and Carrabba’s Italian Grill locations for aggregate cash proceeds of $36.2 million, net of certain closing adjustments. After completion of the sale, these restaurant locations are operated as franchises under an agreement with the Buyers.

*Sale-Leaseback Transactions* - During the twenty-six weeks ended June 25, 2017, we entered into sale-leaseback transactions with third-parties in which we sold 15 restaurant properties at fair market value for gross proceeds of $57.5 million. With a portion of the proceeds from these transactions, we repaid the remaining balance of our PRP Mortgage Loan in April 2017.

Subsequent to June 25, 2017, we entered into sale-leaseback transactions with third-parties in which we sold ten restaurant properties at fair market value for gross proceeds of $32.3 million.

*Closure Initiatives* - Total aggregate future undiscounted cash expenditures of $35.4 million to $41.8 million for the Closure Initiatives, primarily related to lease liabilities, are expected to occur over the remaining lease terms with the final term ending in January 2029.

*Capital Expenditures* - We estimate that our capital expenditures will total between $260.0 million and $280.0 million in 2017. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including restrictions imposed by our borrowing arrangements.

*Credit Facilities* - As of June 25, 2017, we had $1.1 billion of outstanding borrowings under our Senior Secured Credit Facility. Following is a summary of principal payments and debt issuance from December 25, 2016 to June 25, 2017:

| | SENIOR SECURED CREDIT FACILITY | | | | | |
|---|---|---|---|---|---|---|
| | TERM LOANS | | | | | |
| (dollars in thousands) | A | A-1 | A-2 | REVOLVING FACILITY | PRP MORTGAGE LOAN | TOTAL CREDIT FACILITIES |
| Balance as of December 25, 2016 | $ 258,750 | $ 140,625 | $ — | $ 622,000 | $ 47,202 | $ 1,068,577 |
| 2017 new debt (1) | — | — | 125,000 | 341,000 | — | 466,000 |
| 2017 payments | (11,250) | (5,625) | — | (364,500) | (47,202) | (428,577) |
| Balance as of June 25, 2017 | $ 247,500 | $ 135,000 | $ 125,000 | $ 598,500 | $ — | $ 1,106,000 |

(1) On May 22, 2017, OSI entered into an Amendment to its Credit Agreement which provided an incremental Term loan A-2 in an aggregate principal amount of $125.0 million. A portion of the proceeds from Term loan A-2 were used to repay $25.0 million of our outstanding revolving credit facility.

We continue to evaluate whether we will make further payments of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding credit facilities as of June 25, 2017 and December 25, 2016:

| | | | | OUTSTANDING | |
|---|---|---|---|---|---|
| (dollars in thousands) | INTEREST RATE JUNE 25, 2017 | ORIGINAL FACILITY | PRINCIPAL MATURITY DATE | JUNE 25, 2017 | DECEMBER 25, 2016 |
| Term loan A, net of discount of $1.0 million (1) | 3.07% | $ 300,000 | May 2019 | $ 247,500 | $ 258,750 |
| Term loan A-1 | 3.19% | 150,000 | May 2019 | 135,000 | 140,625 |
| Term loan A-2 | 3.19% | 125,000 | May 2019 | 125,000 | — |
| Revolving credit facility (1) | 3.14% | 825,000 | May 2019 | 598,500 | 622,000 |
| Total Senior Secured Credit Facility | | $ 1,400,000 | | $ 1,106,000 | $ 1,021,375 |
| PRP Mortgage Loan | —% | $ 369,512 | | $ — | $ 47,202 |
| Total credit facilities | | $ 1,769,512 | | $ 1,106,000 | $ 1,068,577 |

(1) Represents the weighted-average interest rate.

*Credit Agreement* - On May 22, 2017, OSI entered into an Amendment to its Credit Agreement which provided an incremental Term loan A-2 in an aggregate principal amount of $125.0 million. Proceeds from Term loan A-2 were used for general business purposes and to repay a portion of our outstanding revolving credit facility. As of June 25, 2017, we had $198.7 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of $27.8 million.

The Credit Agreement contains term loan mandatory prepayment requirements of 50% of our annual excess cash flow, as defined in the Credit Agreement. The amount outstanding required to be prepaid may vary based on our leverage ratio and year end results. Other than the required minimum amortization premiums of $43.1 million, we do not anticipate any other payments will be required through July 1, 2018.

We are currently exploring options to address the 2019 maturity of our Senior Secured Credit Facility.

*Debt Covenants* - Our Credit Agreement contains various financial and non-financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and cause an acceleration of the amounts due under the credit facilities. See Note 11 - *Long-term Debt, Net* in our Annual Report on Form 10-K for the year ended December 25, 2016 for further information.

As of June 25, 2017 and December 25, 2016, we were in compliance with our debt covenants. We believe that we will remain in compliance with our debt covenants during the next 12 months.

*Cash Flow Hedges of Interest Rate Risk* - In September 2014, we entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt. The swap agreements have an aggregate notional amount of $400.0 million, a start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, we pay a weighted-average fixed rate of 2.02% on the $400.0 million notional amount and receive payments from the counterparty based on the 30-day LIBOR rate. We estimate $2.8 million will be reclassified to interest expense over the next twelve months. See Note 12 - *Derivative Instruments and Hedging Activities* of the Notes to Consolidated Financial Statements for further information.

SUMMARY OF CASH FLOWS

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

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| **(dollars in thousands)** | **JUNE 25, 2017** | **JUNE 26, 2016** |
| Net cash provided by operating activities | $ 183,135 | $ 205,416 |
| Net cash (used in) provided by investing activities | (24,589) | 70,134 |
| Net cash used in financing activities | (183,250) | (284,471) |
| Effect of exchange rate changes on cash and cash equivalents | 1,002 | 853 |
| Transfer of cash and cash equivalents to assets held for sale | — | (22,195) |
| Net decrease in cash and cash equivalents | $ (23,702) | $ (30,263) |

*Operating activities* - Net cash provided by operating activities decreased during the twenty-six weeks ended June 25, 2017, as compared to the twenty-six weeks ended June 26, 2016 primarily due to: (i) higher income tax payments, (ii) the timing of collections of receivables and (iii) the timing of payments. These decreases were partially offset by lower cash interest payments.

*Investing activities* - Net cash used in investing activities for the twenty-six weeks ended June 25, 2017 consisted primarily of capital expenditures, partially offset by: (i) proceeds from sale-leaseback transactions, (ii) proceeds from refranchising transactions and (iii) a reduction in restricted cash related to payments on our PRP Mortgage loan.

Net cash provided by investing activities for the twenty-six weeks ended June 26, 2016 consisted primarily of proceeds from sale-leaseback transactions and a reduction in restricted cash related to the defeasance of the 2012 CMBS loan, partially offset by capital expenditures.

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

Net cash used in financing activities for the twenty-six weeks ended June 26, 2016 was primarily attributable to the following: (i) the defeasance of the 2012 CMBS loan and payments on our revolving credit facility, (ii) the repurchase of common stock, (iii) payment of cash dividends on our common stock and (iv) repayments of partner deposits and accrued partner obligations. Net cash used in financing activities was partially offset by proceeds from the PRP Mortgage loan and drawdowns on our revolving credit facility.

## FINANCIAL CONDITION

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

| (dollars in thousands) | JUNE 25, 2017 | DECEMBER 25, 2016 |
|---|---|---|
| Current assets | $ 253,154 | $ 390,519 |
| Current liabilities | 724,231 | 823,408 |
| Working capital (deficit) | $ (471,077) | $ (432,889) |

Working capital (deficit) included Unearned revenue from unredeemed gift cards of $269.9 million and $388.5 million as of June 25, 2017 and December 25, 2016, respectively. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities, and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and to make capital expenditures.

*Deferred Compensation Programs* - The deferred compensation obligation due to managing and chef partners was $101.5 million and $113.0 million as of June 25, 2017 and December 25, 2016, respectively. We invest in various corporate-owned life insurance policies, which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the deferred compensation plans. The rabbi trust is funded through our voluntary contributions. The unfunded obligation for managing and chef partners' deferred compensation was $38.3 million as of June 25, 2017.

We use capital to fund the deferred compensation plans and currently expect annual cash funding of $18.0 million to $20.0 million. Actual funding of the deferred compensation obligations and future funding requirements may vary significantly depending on the actual performance compared to targets, timing of deferred payments of partner contracts, forfeiture rates, number of partner participants, growth of partner investments and our funding strategy.

## DIVIDENDS AND SHARE REPURCHASES

*Dividends* - In July 2017, the Board declared a quarterly cash dividend of $0.08 per share, payable on August 23, 2017. Future dividend payments are dependent on our earnings, financial condition, capital expenditure requirements, surplus and other factors that the Board considers relevant.

*Share Repurchases* - On April 21, 2017, the Board approved the 2017 Share Repurchase Program, a new $250.0 million authorization which will expire on October 21, 2018. We had $95.0 million remaining available for repurchase under the 2017 Share Repurchase Program, as of the date of this filing.

The following table presents our dividends and share repurchases from December 29, 2014 through June 25, 2017:

| (dollars in thousands) | DIVIDENDS PAID | SHARE REPURCHASES | TAXES RELATED TO SETTLEMENT OF EQUITY AWARDS | TOTAL |
|---|---|---|---|---|
| Fiscal year 2015 | $ 29,332 | $ 169,999 | $ 770 | $ 200,101 |
| Fiscal year 2016 | 31,379 | 309,887 | 447 | 341,713 |
| First fiscal quarter 2017 | 8,254 | 53,053 | 143 | 61,450 |
| Second fiscal quarter 2017 (1) | 8,054 | 145,675 | — | 153,729 |
| Total | $ 77,019 | $ 678,614 | $ 1,360 | $ 756,993 |

(1) Subsequent to June 25, 2017, we repurchased 1.6 million shares of our common stock for $34.0 million under a Rule 10b5-1 plan.

## Recently Issued Financial Accounting Standards

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

## 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 25, 2016. 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 25, 2016 for further information regarding market risk.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial and Administrative Officer concluded that our disclosure controls and procedures were effective as of June 25, 2017.

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the thirteen weeks ended June 25, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**BLOOMIN' BRANDS, INC.**

# PART II: OTHER INFORMATION

## Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 15 - *Commitments and Contingencies*, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2016 Form 10-K which could materially affect our business, financial condition or future results. There have not been any material changes to the risk factors described in our 2016 Form 10-K, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

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

There were no sales of equity securities during the second quarter of 2017 that were not registered under the Securities Act of 1933.

The following table provides information regarding our purchases of common stock during the thirteen weeks ended June 25, 2017:

| REPORTING PERIOD | TOTAL NUMBER OF SHARES PURCHASED | AVERAGE PRICE PAID PER SHARE | TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS | APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (1) |
|---|---|---|---|---|
| March 27, 2017 through April 23, 2017 | 1,283,784 | $ 19.23 | 1,283,784 | $ 52,268,413 |
| April 24, 2017 through May 21, 2017 | 2,261,558 | $ 21.66 | 2,261,558 | $ 201,018,592 |
| May 22, 2017 through June 25, 2017 | 3,484,427 | $ 20.67 | 3,484,427 | $ 129,007,899 |
| Total (2) | 7,029,769 | | 7,029,769 | |

(1) On July 26, 2016, the Board of Directors authorized the repurchase of $300.0 million of our outstanding common stock as announced in our press release issued on July 29, 2016 (the "July 2016 Share Repurchase Program"). On April 21, 2017, the Board of Directors canceled the remaining $52.3 million of authorization under the July 2016 Share Repurchase Program and authorized the repurchase of $250.0 million of our outstanding common stock as announced in our press release issued on April 26, 2017 (the "2017 Share Repurchase Program"). The 2017 Share Repurchase Program will expire on October 21, 2018. As of the date of this filing, $95.0 million remains available for repurchase under the 2017 Share Repurchase Program.

(2) Common stock repurchased during the thirteen weeks ended June 25, 2017 represent shares repurchased under the 2017 Share Repurchase Program and July 2016 Share Repurchase Program.

## Item 6. Exhibits

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBITS | FILINGS REFERENCED FOR INCORPORATION BY REFERENCE |
|---|---|---|
| 10.1 | Fourth Amendment to Royalty Agreement made and entered into effective May 1, 2017, by and among Carrabba's Italian Grill, LLC, OSI Restaurant Partners, LLC, Mangia Beve, Inc., Mangia Beve II, Inc., Original, Inc., Voss, Inc., John C. Carrabba, III, Damian C. Mandola, and John C. Carrabba, Jr. | Filed herewith |
| 10.2 | Sixth Amendment to Credit Agreement and Incremental Amendment dated as of May 22, 2017, among OSI Restaurant Partners, LLC, OSI Holdco, Inc., the Subsidiary Guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent | Filed herewith |
| 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 and Administrative 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) | Filed herewith |
| 32.2 | Certification of Chief Financial and Administrative Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1) | Filed herewith |
| 101.INS | XBRL Instance Document | Filed herewith |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Filed herewith |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Filed herewith |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Filed herewith |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | Filed herewith |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | Filed herewith |

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

## SIGNATURE

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

| | |
|---|---|
| Date: August 1, 2017 | BLOOMIN' BRANDS, INC.<br>(Registrant) |
| | By: /s/ David J. Deno |
| | David J. Deno<br>Executive Vice President and Chief Financial and Administrative Officer<br>(Principal Financial and Accounting Officer) |

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# FOURTH AMENDMENT TO ROYALTY AGREEMENT

This FOURTH AMENDMENT TO ROYALTY AGREEMENT (“Agreement”) is made and entered into effective May 1, 2017, by and among CARRABBA’S ITALIAN GRILL, LLC (successor to Carrabba’s Italian Grill, Inc.), a Florida limited liability company having its principal office located at 2202 N. West Shore Blvd., Suite 500, Tampa, Florida 33607 (“CIGI”), OSI RESTAURANT PARTNERS, LLC (as successor to OSI Restaurant Partners, Inc.), a Delaware limited liability company having its principal office located at 2202 N. West Shore Blvd., Suite 500, Tampa, Florida 33607 (“OSI”), MANGIA BEVE, INC., a Texas corporation having its principal office at 3131 Argonne Street, Houston, Texas 77098 (“MBI”), MANGIA BEVE II, INC., a Texas corporation having its principal office at 3131 Argonne Street, Houston, Texas 77098 (“MBI2”), ORIGINAL, INC. (formerly Carrabba, Inc.), a Texas corporation having its principal office at 3131 Argonne Street, Houston, Texas 77098 (“CI”), VOSS, INC. (formerly Carrabba Woodway, Inc.), a Texas corporation having its principal office at 3131 Argonne Street, Houston, Texas 77098 (“CWI”), JOHN C. CARRABBA III, an individual residing in the state of Texas (“Johnny Carrabba”), DAMIAN C. MANDOLA, an individual residing in the state of Texas (“Damian Mandola”) and JOHN C. CARRABBA, Jr., an individual residing in the state of Texas (“John C. Carrabba Jr.”).

## RECITALS

A. The parties entered into that certain Royalty Agreement dated April 1995, as amended by: (i) First Amendment to Royalty Agreement dated January 1997, (ii) Second Amendment to Royalty Agreement dated April 7, 2010, and (iii) Third Amendment to Royalty Agreement dated effective June 1, 2014 (as may be further amended and revised, the “Royalty Agreement”); and

B. The parties desire to further amend the Royalty Agreement to: (i) exclude delivery sales from the definition of Net Restaurant Sales, (ii) provide for a fixed royalty percentage for delivery sales, and (iii) remove such delivery sales from the sales volumes used to calculate Restaurant royalty rates (iv) remove the requirement to develop additional restaurants, as set forth in Section 8.6 of the Royalty Agreement.

Now therefore, intending to be legally bound, in consideration for the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amendment to Section 1.14. Section 1.14 of the Royalty Agreement is hereby amended by adding thereto a clause (d) to read as follows:

   **(d) The term “U.S. Restaurant” shall mean a Restaurant located in the U.S. regardless of when first opened.**

2. Amendment to Section 1.17. Section 1.17 of the Royalty Agreement is hereby amended in its entirety to read as follows:

**1.17 Net Sales. The term “Net Sales” shall mean, with respect to any U.S. Restaurant, all Net Sales, all Net Lunch Sales and all Net Delivery Sales, collectively, at or from such U.S. Restaurant.**

3. New Section 1.21. There is hereby added to the Royalty Agreement a new Section 1.21 to read as follows:

**1.21 Net Delivery Sales. The term “Net Delivery Sales” shall mean, with respect to any U.S. Restaurant, all monetary compensation received for the sale of all products that are delivered to a location other than the Restaurant, whether delivery is made by Carrabba’s employees or by a third party, whether for cash or credit and regardless of collection in the case of credit, including the face value of gift certificates redeemed by customers, reduced by (i) delivery fees, service charges, booking fees or similar charges regardless of whether charged to the customer or paid to a third party delivery service, (ii) discounts and complimentary food and beverages, (iii) sales and other taxes and surcharges collected for transmittal to taxing authorities, (iv) revenue received from the sale of gift certificates and (v) revenue from catering activities done for charitable, marketing or community involvement purposes. For the avoidance of doubt, with respect to clause (i) above, in the case of third party delivery services that receive the sale proceeds and remit a portion to the Restaurant after withholding the fees described in clause (i), the monetary compensation shall be the amount paid to the Restaurant by the third-party delivery service.**

4. Amendment to Section 1.10. Section 1.10 of the Royalty Agreement (definition of Net Restaurant Sales) is hereby amended by deleting the last sentence thereof and substituting in its place the following sentence:

**Notwithstanding the foregoing, (i) for New U.S. Restaurants there shall be excluded from Net Restaurant Sales all Net Weekly Lunch Sales, (ii) for New U.S. Lunch Restaurants there shall be excluded from Net Restaurant Sales all Net Weekday Lunch Sales, and (iii) for all U.S. Restaurants there shall be excluded from Net Restaurant Sales all Net Delivery Sales.**

5. Amendment to Section 3.1. Section 3.1 of the Royalty Agreement is hereby amended in its entirety to read as follows:

**“3.1 Restaurant Royalties.**

**a. For each Restaurant owned by CIGI or a franchisee/licensee of CIGI (other than the Joint Ventures, Cl or CWI) located in U.S. and which is not a New U.S. Restaurant or a New U.S. Lunch Restaurant, CIGI shall pay to MBI2, as provided in Section 3.2 hereof, an annual royalty fee during the term of this Agreement as follows:**

**i. For such Restaurants, whose annual Net Restaurant Sales are Two Million Seven Hundred Thousand ($2,700,000) or less, a royalty fee of**

**one percent (1%) of Net Restaurant Sales and one half percent (.5%) of Net Delivery Sales;**

ii. **For such Restaurants, whose annual Net Restaurant Sales exceed Two Million Seven Hundred Thousand ($2,700,000) but are less than Three Million Dollars ($3,000,000), a royalty fee of one and one quarter percent (1.25%) of Net Restaurant Sales and one half percent (.5%) of Net Delivery Sales;**

iii. **For such Restaurants, whose annual Net Restaurant Sales exceed Three Million Dollars ($3,000,000), a royalty fee of one and one half percent (1.50%) of Net Restaurant Sales and one half percent (.5%) of Net Delivery Sales.**

b. **For each New U.S. Restaurant owned by CIGI or a Franchisee/licensee of CIGI (other than the Joint Ventures, CI or CWI), CIGI shall pay to MBI2, as provided in Section 3.2 hereof, an annual royalty fee during the term of this Agreement as follows:**

i. **For New U.S. Restaurants whose annual Net Restaurant Sales are Two Million Seven Hundred Thousand ($2,700,000) or less, a royalty fee of one percent (1%) of Net Restaurant Sales and one half percent (.5%) of Net Weekly Lunch Sales and Net Delivery Sales;**

ii. **For New U.S. Restaurants whose annual Net Restaurant Sales exceed Two Million Seven Hundred Thousand ($2,700,000) but are less than Three Million Dollars ($3,000,000), a royalty fee of one and one quarter percent (1.25%) of Net Restaurant Sales and one half percent (.5%) of Net Weekly Lunch Sales and Net Delivery Sales;**

iii. **For New U.S. Restaurants whose annual Net Restaurant Sales exceed Three Million Dollars ($3,000,000), a royalty fee of one and one half percent (1.50%) of Net Restaurant Sales and one half percent (.5%) of Net Weekly Lunch Sales and Net Delivery Sales.**

c. **For each New U.S. Lunch Restaurant owned by CIGI or a Franchisee/licensee of CIGI (other than Joint Ventures, CI or CWI), CIGI shall pay to MB12, as provided in Section 3.2 hereof, an annual royalty fee during the term of this Agreement as follows:**

i. **For New U.S. Lunch Restaurants whose annual Net Restaurant Sales are Two Million Seven Hundred Thousand ($2,700,000) or less, a royalty fee of one percent (1%) of Net Restaurant Sales and one half percent (.5%) of Net Weekday Lunch Sales and Net Delivery Sales;**

ii. **For New U.S. Lunch Restaurants whose annual Net Restaurant Sales exceed Two Million Seven Hundred Thousand ($2,700,000) but are less than Three Million Dollars ($3,000,000), a royalty fee of one and one quarter percent (1.25%) of Net Restaurant Sales and one half percent (.5%) of Net Weekday Lunch Sales and Net Delivery Sales;**

iii. **For New U.S. Lunch Restaurants whose annual Net Restaurant Sales**

**exceed Three Million Dollars ($3,000,000), a royalty fee of one and one half percent (1.50%) of Net Restaurant Sales and one half percent (.5%) of Net Weekday Lunch Sales and Net Delivery Sales;**

**d. For each Restaurant owned by CIGI or a franchisee/licensee of CIGI and located outside the U.S., CIGI shall pay to MBI2 a one-time royalty fee as follows:**

**i. For Restaurants of 5,000 square feet and larger, a royalty fee of One Hundred Thousand Dollars ($100,000);**

**ii. For Restaurants of 3,500 square feet and larger, but less than 5,000 square feet, a royalty fee of Seventy-Five Thousand Dollars ($75,000);**

**iii. For Restaurants of less than 3,500 square feet, a royalty fee of Fifty Thousand Dollars ($50,000).**

**iv. The parties acknowledge that CIGI paid to MBl2, upon execution of the Third Amendment to Royalty Agreement, the sum of one Million Dollars ($1,000,000) as a non-refundable pre-payment of the royalty fees for the first ten (10) Restaurants of 5,000 square feet or more. Thereafter, CIGI shall pay to MBl2 the one-time royalty fees provided for in this subsection (d) not less than thirty (30) days prior to opening to the public of the applicable Restaurant. As an example, if CIGI shall first open a Restaurant located outside the U.S. which is 5,500 square feet, such Restaurant shall count as the first of the ten (10) Restaurants for which a pre-payment of royalty fees has been made. If CIGI shall next open a Restaurant located outside the U.S. which is 4,000 square feet, CIGI shall pay a $75,000 royalty fee to MBl2 not less than thirty (30) days prior to the opening to the public of such Restaurant.**

**e. For the avoidance of doubt, no royalty fee based on Net Restaurant Sales shall be payable for any Restaurant located outside the U.S., and the royalty fee provided for in subsection (d) of this Section 3.1 shall be the only royalty fee payable under Section 3.1 for Restaurants located outside the U.S.**

6. Amendment to Section 3.2. The first sentence only of Section 3.2 of the Royalty Agreement is deleted and the following is substituted therefore:

**For each Restaurant for which annual royalty fees are payable under subsections (a), (b) or (c) of Section 3.1 of this Agreement, CIGI shall pay to MBI2 a monthly royalty fee at the rate of one percent (1%) of Net Restaurant Sales for each of the first six months of such Restaurant's operation.**

**In addition, CIGI shall pay to MBI2 each month (i) for all U.S. Restaurants the royalty fee of one half percent (.5%) of Net Delivery Sales, (ii) for New U.S. Restaurants the royalty fee of one half percent (.5%) of Net Weekly Lunch Sales and (iii) for New U.S. Lunch Restaurants the royalty fee of one half percent (.5%) of Net Weekday Lunch Sales. For the avoidance of doubt, in the case of New U.S. Restaurants, Net Weekly Lunch Sales are excluded from Net Restaurant Sales and in the case of New U.S. Lunch Restaurants, Net Weekday Lunch Sales are excluded from Net Restaurant Sales, and for all U.S. Restaurants Net Delivery Sales are excluded from Net Restaurant Sales.**

7. Deletion of Section 8.6. Section 8.6 of the Royalty Agreement is hereby deleted in its entirety. For the avoidance of doubt, CIGI shall be deemed to have fulfilled all obligations to develop the System and shall not be required to open additional Restaurants. The failure to open additional Restaurants shall not give any rights to any Carrabba's Entity to the System or to own or operate Restaurants utilizing the System.

8. Ratification. The Royalty Agreement, as previously amended by the First Amendment, Second Amendment and Third Amendment, is hereby ratified and conformed and shall remain in full force and effect as amended hereby.

IN WITNESS, WHEREOF, the parties have executed this Fourth Amendment effective as of May 1, 2017. This Fourth Amendment may be executed in one or more counterparts and may be executed by different parties in separate counterparts, each of which shall he deemed an original and shall collectively constitute one and the same instrument.

This FOURTH AMENDMENT TO ROYALTY AGREEMENT is dated effective as of the day and year first set forth above.

**CARRABBA'S ITALIAN GRILL, LLC**
By its *sole* manager-member
OSI Restaurant Partners, LLC

By: /s/ Joseph J. Kadow
Joseph J. Kadow, Executive Vice President

**OSI RESTAURANT PARTNERS, LLC**

By: /s/ Joseph J. Kadow
Joseph J. Kadow, Executive Vice President

**MANGIA BEVE II, INC.**

By: /s/ John C. Carrabba, III

Title: President

**ORIGINAL, INC.**

By: /s/ John C. Carrabba, III

Title: President

**VOSS, INC.**

By: /s/ John C. Carrabba, III

Title: President

/s/ John C. Carrabba, III

**JOHN C. CARRABBA, III, individually**

/s/ Damian C. Mandola

**DAMIAN C. MANDOLA, individually**

/s/ John C. Carrabba, Jr.

**JOHN C. CARRABBA, JR, individually**

**SIXTH AMENDMENT TO CREDIT AGREEMENT AND INCREMENTAL AMENDMENT**

SIXTH AMENDMENT TO CREDIT AGREEMENT AND INCREMENTAL AMENDMENT (this "Amendment"), dated as of May 22, 2017, among OSI RESTAURANT PARTNERS, LLC, a Delaware limited liability company (the "Borrower"), OSI HOLDCO, INC., a Delaware corporation ("Holdings"), the Subsidiary Guarantors (as defined in the Credit Agreement referred to below) party hereto, each of the Lenders party hereto that is consenting to the amendments set forth in Section 1 below (collectively, the "Consenting Lenders"), each of the Lenders party hereto that has committed to make the Incremental Term A-2 Loan (as defined below) (collectively, the "Incremental Term A-2 Loan Lenders") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (the "Administrative Agent"). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H:

WHEREAS, the Borrower, Holdings, the lenders party thereto (the "Lenders"), the Administrative Agent and the other parties thereto have entered into that certain Credit Agreement, dated as of October 26, 2012 (as amended prior to the date hereof, the "Credit Agreement");

WHEREAS, the Borrower hereby requests an Incremental Term A Loan in an aggregate principal amount of $125,000,000, in accordance with Section 2.16(a) of the Credit Agreement (the "Incremental Term A-2 Loan");

WHEREAS, subject to the terms of this Amendment, each of the Incremental Term A-2 Loan Lenders party hereto have severally committed (such several commitments, the "Incremental Term A-2 Loan Commitments") to make the Incremental Term A-2 Loan;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

SECTION 1. Amendments to Credit Agreement. Effective as of the Sixth Amendment Effective Date (as defined below) and subject to the terms and conditions set forth herein and in reliance upon representations and warranties set forth herein, the Credit Agreement is hereby amended as follows:

(a) the definition of "Excluded Assets" in Section 1.01 of the Credit Agreement is hereby amended to (i) add the following new clause (xiii) in correct numerical order and (ii) to amend the proviso at the end of such definition to replace each of the references therein to "(xii)" with "(xiii)":

"and (xiii) Excluded Real Property;"

(b) Section 1.01 of the Credit Agreement is hereby amended to add the following new definition of "Excluded Real Property" in correct alphabetical position:

> ""**Excluded Real Property**" means any fee-owned real property and any leasehold rights and leasehold interests in real property that were on the Sixth Amendment Effective Date owned by PRP Holdings, LLC or any of its Subsidiaries (including, without limitation, any Specified Lease Entity), which property shall continue to constitute Excluded Real Property notwithstanding any subsequent transfer of any such property to any Loan Party or any Person that is designated as a Restricted Subsidiary, the owner of such property becoming a Loan Party or designated as a Restricted

Subsidiary (through a Company Consolidation or otherwise), the transfer of such property to a newly formed entity that is required to become a Loan Party or is designated as a Restricted Subsidiary hereunder, in all cases, it being the understanding and intent of the parties hereto that any property constituting Excluded Real Property on the Sixth Amendment Effective Date shall continue to constitute Excluded Real Property for all purposes of this Agreement and the other Loan Documents notwithstanding any such transfer, designation, or requirement."

(c) the definition of "Material Real Property" in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""**Material Real Property**" means any real property (other than any Excluded Real Property) owned by any Loan Party with a Fair Market Value of $5,000,000 or more."

(d) Section 2.06(b)(ii)(A)(x) of the Credit Agreement is hereby amended to amend and restate the parenthetical "(other than any Disposition of any property or assets permitted by Section 7.05(a), (b), (c), (d) (to the extent constituting a Disposition by any Restricted Subsidiary to a Loan Party), (e), (g), (h), (i), (j), (p), (q) or (r))" with "(other than any Disposition of any property or assets permitted by Section 7.05(a), (b), (c), (d) (to the extent constituting a Disposition by any Restricted Subsidiary to a Loan Party), (e), (g), (h), (i), (j), (l), (p), (q) or (r)) ";

(e) Section 7.05(l) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(l) Dispositions of Excluded Real Property;"

SECTION 2. Incremental Term A-2 Loan.

(a) The Administrative Agent and each Incremental Term A-2 Loan Lender hereby agrees that this Amendment constitutes an Incremental Loan Request pursuant to Section 2.16(a) of the Credit Agreement.

(b) The Borrower hereby acknowledges that the Incremental Term A-2 Loan is being made under Section 2.16(d)(iv)(B).

(c) Each Incremental Term A-2 Loan Lender severally agrees to make a single loan in Dollars to the Borrower on the Sixth Amendment Effective Date in accordance with Article II of the Credit Agreement and this Amendment in an amount equal to its Incremental Term A-2 Loan Commitment set forth opposite such Incremental Term A-2 Loan Lender's name on Schedule 1 hereto.

(d) On and as of the Sixth Amendment Effective Date, each Incremental Term A-2 Loan Lender (i) shall be deemed to be an "Incremental Term Lender" as defined in the Credit Agreement with an "Incremental Term A Commitment" as defined in the Credit Agreement, (ii) shall perform all of the obligations that are required to be performed by it as such under the Loan Documents and (iii) shall be entitled to the benefits, rights and remedies as such are set forth in the Loan Documents.

(e) Except to the extent otherwise set forth herein, the terms and conditions applicable to the Incremental Term A-2 Loan shall be the same as the terms and conditions applicable to the Term A Loans. Without limiting the generality of the foregoing, the parties hereto agree that the Incremental Term A-2 Loan shall (i) bear interest at the same interest rate (including the Applicable Rate) applicable to the outstanding Term A Loans, (ii) mature on the Maturity Date for the Term A Loans, (iii) share ratably in all payments (including all optional and mandatory prepayments) with the outstanding Term A Loans and (iv) be repaid (A) in consecutive quarterly installments on the last Business Day of each of March, June, September and December, commencing September 30, 2017, in the aggregate outstanding principal amount as set forth below (which payments shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.06 of the Credit Agreement):

| FISCAL YEAR | PAYMENT DATE | PRINCIPAL INSTALLMENT |
|---|---|---|
| 2017 | September 30, 2017 | $2,343,750 |
| | December 31, 2017 | $2,343,750 |
| 2018 | March 31, 2018 | $2,343,750 |
| | June 30, 2018 | $2,343,750 |
| | September 30, 2018 | $3,125,000 |
| | December 31, 2018 | $3,125,000 |
| 2019 | March 31, 2019 | $3,125,000 |
| | Maturity Date for Term A Loans | The aggregate outstanding principal amount of all Incremental Term A-2 Loans |

and (B) on the Maturity Date for the Term A Loans, in the aggregate principal amount of all Incremental Term A-2 Loans outstanding on such date.

(f) This Amendment shall (i) be deemed to be an "Incremental Amendment" in accordance with Section 2.16(f) of the Credit Agreement and (ii) constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 3. Acknowledgement and Confirmation. Each of the Loan Parties party hereto hereby agrees that with respect to each Loan Document to which it is a party, after giving effect to the Amendment and the transactions contemplated hereunder:

(a) all of its obligations, liabilities and indebtedness under such Loan Document, including guarantee obligations, shall, except as expressly set forth herein or in the Credit Agreement, remain in full force and effect on a continuous basis; and

(b) all of the Liens and security interests created and arising under such Loan Document remain in full force and effect on a continuous basis, and the perfected status and priority to the extent provided for in Section 5.19 of the Credit Agreement of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged as collateral security for the Obligations, to the extent provided in such Loan Documents.

SECTION 4. Conditions of Effectiveness of this Amendment. This Amendment shall become effective on the date when the following conditions shall have been satisfied or waived (such date, the "Sixth Amendment Effective Date"):

(a) The Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each in form and substance reasonably satisfactory to the Administrative Agent and its legal counsel:

(i) this Amendment, duly executed by Holdings, the Borrower, the Subsidiary Guarantors existing as of the Sixth Amendment Effective Date, the Administrative Agent, the Required Lenders, the Consenting Lenders and the Incremental Term A-2 Loan Lenders;

(ii) a Note executed by the Borrower in favor of each Incremental Term A-2 Loan Lender that has requested a Note at least two (2) Business Days in advance of the Sixth Amendment Effective Date;

(iii) a certificate of a Responsible Officer of each Loan Party certifying as to the incumbency and genuineness of the signature of each officer of such Loan Party executing Loan Documents to which it is a party and certifying that (A) the articles or certificate of incorporation or formation (or equivalent), as applicable, of such Loan Party have not been amended since the date of the last delivered certificate, or if they have been amended, attached thereto are true, correct and complete copies of the same, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation, organization or formation (or equivalent), as applicable, (B) the bylaws or other governing document of such Loan Party have not been amended since the date of the last delivered certificate, or if they have been amended, attached thereto are true, correct and complete copies of the same, (C) attached thereto is a true, correct and complete copy of resolutions duly adopted by the board of directors (or other governing body) of such Loan Party authorizing and approving the transactions contemplated hereunder and the execution, delivery and performance of this Amendment and (D) attached thereto is a true, correct and complete copy of such certificates of good standing (including bring down certificates) from the applicable secretary of state of the state of incorporation, organization or formation (or equivalent), as applicable, of each Loan Party; and

(iv) opinion from Buchanan Ingersoll & Rooney PC, New York counsel to the Loan Parties, in form and substance reasonably satisfactory to the Administrative Agent.

(b) Payment of all fees and expenses of the Administrative Agent and Wells Fargo Securities, LLC, and in the case of expenses, to the extent invoiced at least three (3) Business Days prior to the Sixth Amendment Effective Date (except as otherwise reasonably agreed to by the Borrower), required to be paid on the Sixth Amendment Effective Date.

(c) Payment of all fees to the Lenders required to be paid on the Sixth Amendment Effective Date.

(d) The representations and warranties in Section 6 of this Amendment shall be true and correct as of the Sixth Amendment Effective Date.

For purposes of determining compliance with the conditions specified in this Section 4, each Lender that has signed this Amendment shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Sixth Amendment Effective Date specifying its objection thereto.

SECTION 5. Costs and Expenses. The Borrower hereby reconfirms its obligations pursuant to Section 10.04 of the Credit Agreement to pay and reimburse the Administrative Agent in accordance with the terms thereof.

SECTION 6. Representations and Warranties. To induce the Administrative Agent and the other Lenders to enter into this Amendment, each Loan Party represents and warrants to the

Administrative Agent and the other Lenders on and as of the Sixth Amendment Effective Date that, in each case:

(a) the representations and warranties of each Loan Party set forth in Article V of the Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the Sixth Amendment Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; provided that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct (after giving effect to any qualification therein) in all respects on such respective dates; and

(b) no Default or Event of Default exists and is continuing.

SECTION 7. Reference to and Effect on the Credit Agreement and the Loan Documents.

(a) On and after the Sixth Amendment Effective Date, each reference in the Credit Agreement to "this Agreement," "herein," "hereto", "hereof" and "hereunder" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents. Without limiting the generality of the foregoing, the Collateral Documents in effect immediately prior to the date hereof and all of the Collateral described therein in existence immediately prior to the date hereof do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case, as amended by this Amendment.

SECTION 8. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 9. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery by facsimile or electronic transmission of an executed counterpart of a signature page to this Amendment shall be effective as delivery of an original executed counterpart of this Amendment.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Amendment as of the date first above written.

OSI RESTAURANT PARTNERS, LLC, as Borrower

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OSI HOLDCO, INC., as Holdings

By: /s/ Elizabeth Smith

Name: Elizabeth Smith

Title: Director

BLOOMIN' BRANDS GIFT CARD SERVICES, LLC
OS RESTAURANT SERVICES, LLC
OUTBACK DESIGNATED PARTNER, LLC
OUTBACK KANSAS LLC

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH OF BEL AIR LLC
BONEFISH GRILL OF FLORIDA, LLC

By: BONEFISH GRILL, LLC, its managing member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH GRILL, LLC

By: OSI RESTAURANT PARTNERS, LLC, its members

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH KANSAS DESIGNATED PARTNER, LLC

By: BONEFISH KANSAS LLC, its member

By: BONEFISH GRILL, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH/ASHEVILLE, LIMITED PARTNERSHIP
BONEFISH/CAROLINAS, LIMITED PARTNERSHIP
BONEFISH/COLUMBUS-I, LIMITED PARTNERSHIP
BONEFISH/CRESCENT SPRINGS, LIMITED PARTNERSHIP
BONEFISH/GREENSBORO, LIMITED PARTNERSHIP
BONEFISH/HYDE PARK, LIMITED PARTNERSHIP
BONEFISH/SOUTHERN, LIMITED PARTNERSHIP

By: BONEFISH GRILL, LLC, its general partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH/SOUTH FLORIDA-I, LIMITED PARTNERSHIP

By: BONEFISH GRILL OF FLORIDA, LLC, its general partner

By: BONEFISH GRILL, LLC, its managing member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH BEVERAGES, LLC
BONEFISH HOLDINGS, LLC
CIGI BEVERAGES OF TEXAS, LLC
CIGI HOLDINGS, LLC

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Manager

OUTBACK BEVERAGES OF TEXAS, LLC
OBTEX HOLDINGS, LLC

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Manager

BONEFISH BRANDYWINE, LLC
BONEFISH DESIGNATED PARTNER, LLC
BONEFISH KANSAS, LLC

By: BONEFISH GRILL, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BONEFISH GRILL OF FLORIDA DESIGNATED PARTNER, LLC

By: BONEFISH GRILL OF FLORIDA, LLC, its member

By: BONEFISH GRILL, LLC, its managing member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

BFG NEBRASKA, INC.
BFG OKLAHOMA, INC.
BOOMERANG AIR, INC.
CIGI NEBRSKA, INC.
CIGI OKLAHOMA, INC.
OS MANAGEMENT, INC.
OS MORTGAGE HOLDINGS, INC.
OSF NEBRASKA, INC.
OSF OKLAHOMA, INC.
OUTBACK ALABAMA, INC.
OUTBACK CATERING, INC.
OUTBACK & CARRABBA'S OF NEW MEXICO, INC.

By: /s/ David J. Deno
Name: David J. Deno
Title: Chief Financial and Administrative Officer, Executive Vice President

OSI CO-ISSUER, INC.

By: /s/ Elizabeth Smith
Name: Elizabeth Smith
Title: Director

CARRABBA'S DESIGNATED PARTNER, LLC
CARRABBA'S KANSAS LLC

By: CARRABBA'S ITALIAN GRILL, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA'S ITALIAN GRILL OF HOWARD COUNTY, INC.

By: /s/ Malcolm Mordue
Name: Malcolm Mordue
Title: Secretary, Treasurer & President

CARRABBA'S ITALIAN GRILL, LLC
OS REALTY, LLC
OUTBACK STEAKHOUSE OF FLORIDA, LLC
PRIVATE RESTAURANT MASTER LESSEE, LLC

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA'S KANSAS DESIGNATED PARTNER, LLC

By: CARRABBA'S KANSAS LLC, its member

By: CARRABBA'S ITALIAN GRILL, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA'S OF BOWIE, LLC

By: CARRABBA'S ITALIAN GRILL, LLC, its managing member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA'S OF GERMANTOWN, INC.
CARRABBA'S OF WALDORF, INC.

By: CARRABBA'S ITALIAN GRILL, LLC, its sole shareholder

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA’S/BIRMINGHAM 280, LIMITED PARTNERSHIP
CARRABBA’S/COOL SPRINGS, LIMITED PARTNERSHIP
CARRABBA’S/DEERFIELD TOWNSHIP, LIMITED PARTNERSHIP
CARRABBA’S/GREEN HILLS, LIMITED PARTNERSHIP
CARRABBA’S/LEXINGTON, LIMITED PARTNERSHIP
CARRABBA’S/LOUISVILLE, LIMITED PARTNERSHIP
CARRABBA’S/MONTGOMERY, LIMITED PARTNERSHIP
CARRABBA’S/ROCKY TOP, LIMITED PARTNERSHIP

By: CARRABBA’S ITALIAN GRILL, LLC, its general partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

By: CARRABBA’S DESIGNATED PARTNER, LLC, its general partner

By: CARRABBA’S ITALIAN GRILL, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CARRABBA'S/DC-I, LIMITED PARTNERSHIP

By: CARRABBA'S ITALIAN GRILL, LLC, its general partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

CIGI/BFG OF EAST BRUNSWICK PARTNERSHIP

By: CARRABBA'S ITALIAN GRILL, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

By: BONEFISH GRILL, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OUTBACK OF ASPEN HILL, INC.
OUTBACK OF GERMANTOWN, INC.
FREDERICK OUTBACK, INC.

By: /s/ Steven S. Newton
Name: Steven S. Newton
Title: Treasurer, President & Secretary

OSF/BFG OF DEPTFORD PARTNERSHIP
OSF/BFG OF LAWRENCEVILLE PARTNERSHIP

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

By: BONEFISH GRILL, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OSF/CIGI OF EVESHAM PARTNERSHIP
OUTBACK/CARRABBA'S PARTNERSHIP

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

By: CARRABBA'S ITALIAN GRILL, LLC, its partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OUTBACK KANSAS DESIGNATED PARTNER, LLC

By: OUTBACK KANSAS LLC, its member

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, its member

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OUTBACK STEAKHOUSE WEST VIRGINIA, INC.

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Director

OUTBACK STEAKHOUSE-NYC, LTD.
OUTBACK/DC, LIMITED PARTNERSHIP
OUTBACK/STONE-II, LIMITED PARTNERSHIP

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, its general partner

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow
Name: Joseph J. Kadow
Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

OUTBACK CATERING DESIGNATED PARTNER, LLC

By: OUTBACK CATERING, INC., its member

By: /s/ David J. Deno
Name: David J. Deno
Title: Chief Financial and Administrative Officer, Executive Vice President

OUTBACK OF LAUREL, LLC

By: OUTBACK STEAKHOUSE OF FLORIDA, LLC, the Sole Manager

By: OSI RESTAURANT PARTNERS, LLC, its member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

DOORSIDE, LLC

By: OSI RESTAURANT PARTNERS, LLC, its Sole Member

By: /s/ Joseph J. Kadow

Name: Joseph J. Kadow

Title: Executive Vice President, Chief Legal Officer & Assistant Secretary

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Swing Line Lender, Collateral Agent, an L/C Issuer, a Consenting Lender and Incremental Term A-2 Loan Lender

By: /s/ Maureen S. Malphus
Name: Maureen S. Malphus
Title: Vice President

BANK OF AMERICA, N.A., as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Aron Frey

Name: Aron Frey

Title: Vice President

OSI Restaurant Partners LLC
Sixth Amendment to Credit Agreement and Incremental Amendment
Signature Page

JPMORGAN CHASE BANK, N.A., as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Tony Yung

Name: Tony Yung

Title: Executive Director

PNC BANK, NA, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Misty C. Johnson
Name: Misty C. Johnson
Title: SVP, Credit Products

FIFTH THIRD BANK, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ John A. Marian

Name: John A. Marian

Title: Vice President

CITIZENS BANK, NA, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ William Bulger

Name: William Bulger

Title: Vice President

HSBC BANK USA, NATIONAL ASSOCIATION, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Rafael De Paoli

Name: Rafael De Paoli

Title: Director

COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Chris Grimes
Name: Chris Grimes
Title: Executive Vice President

By: /s/ Erin MacEachern
Name: Erin MacEachern
Title: Vice President

REGIONS BANK, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Scott C. Tocci

Name: Scott C. Tocci

Title: Managing Director

TD BANK, N.A., as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Alan Garson

Name: Alan Garson

Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Steven L. Sawyer
Name: Steven L. Sawyer
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ James D. Weinstein

Name: James D. Weinstein

Title: Managing Director

FIRSTBANK PUERTO RICO D/B/A FIRSTBANK FLORIDA, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Jose M. Lacasa

Name: Jose M. Lacasa

Title: SVP Corporate Banking

IBERIABANK, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ John Garthwaite
Name: John Garthwaite
Title: Commercial Group Manager, EVP

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Jamie M. Swisher
Name: Jamie M. Swisher
Title: Vice President

RAYMOND JAMES BANK, N.A., as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ Daniel Gendron
Name: Daniel Gendron
Title: Vice President

CITY NATIONAL BANK OF FLORIDA, as an Incremental Term A-2 Loan Lender and a Consenting Lender

By: /s/ William H. Lutes
Name: William H. Lutes
Title: Wholesale Market Executive, Tampa

CADENCE BANK N.A. as a Consenting Lender

By: /s/ Vance Waldron

Name: Vance Waldron

Title: Vice President

MORGAN STANLEY BANK, N.A., as a Consenting Lender

By: /s/ Jonathan Kerner

Name: Jonathan Kerner

Title: Authorized Signatory

PARK STERLING BANK, as a Consenting Lender

By: /s/ Randy Royther

Name: Randy Royther

Title: Managing Director/Capital Markets

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as a Consenting Lender

By: /s/ Christine Howatt

Name: Christine Howatt

Title: Authorized Signatory

USAMERIBANK, as a Consenting Lender

By: /s/ Ronald L. Ciganek

Name: Ronald L. Ciganek

Title: Executive Vice President

WEBSTER BANK, N.A., as a Consenting Lender

By: /s/ Carol A. Pirek

Name: Carol A. Pirek

Title: Vice President

**Schedule 1**
**(as of the Sixth Amendment Effective Date)**

| Incremental Term A-2 Loan Lender | Incremental Term A-2 Loan Commitment |
|---|---|
| Wells Fargo Bank, National Association | $19,000,000.00 |
| Bank of America, N.A. | $14,000,000.00 |
| JPMorgan Chase Bank, N.A. | $14,000,000.00 |
| PNC Bank, National Association | $14,000,000.00 |
| Fifth Third Bank | $10,000,000.00 |
| Citizens Bank, N.A. | $6,500,000.00 |
| HSBC Bank USA, National Association | $6,500,000.00 |
| Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. “Rabobank Nederland”, New York Branch | $6,500,000.00 |
| Regions Bank | $6,500,000.00 |
| TD Bank, N.A. | $6,500,000.00 |
| U.S. Bank, National Association | $6,500,000.00 |
| Sumitomo Mitsui Banking Corporation | $5,500,000.00 |
| FirstBank Puerto Rico | $3,500,000.00 |
| IberiaBank | $1,900,000.00 |
| First Tennessee Bank National Association | $1,800,000.00 |
| Raymond James Bank | $1,600,000.00 |
| City National Bank of Florida | $700,000.00 |
| **Total** | **$125,000,000.00** |

**Exhibit 31.1**

# CERTIFICATION

I, Elizabeth A. Smith, 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: August 1, 2017

/s/ Elizabeth A. Smith

Elizabeth A. Smith
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**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: August 1, 2017

/s/ David J. Deno

David J. Deno

Executive Vice President and Chief Financial and Administrative Officer
(Principal Financial 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 June 25, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth A. Smith, 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: | August 1, 2017 | /s/ Elizabeth A. Smith |
| | | Elizabeth A. Smith |
| | | Chief Executive Officer<br>(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 June 25, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Executive Vice President and Chief Financial and Administrative 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: August 1, 2017 | /s/ David J. Deno |
| | David J. Deno |
| | Executive Vice President and Chief Financial and Administrative Officer<br>(Principal Financial 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.