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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 27, 2021

or

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

For the transition period from ______ to ______

Commission File Number: 001-35625

BLOOMIN' BRANDS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of August 2, 2021, 89,224,282 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 27, 2021
(Unaudited)

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BLOOMIN' BRANDS, INC.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	JUNE 27, 2021	DECEMBER 27, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 101,285	$ 109,980
Restricted cash and cash equivalents	1,790	428
Inventories	59,004	61,928
Other current assets, net	84,984	151,518
Total current assets	247,063	323,854
Property, fixtures and equipment, net	855,021	887,687
Operating lease right-of-use assets	1,161,650	1,172,910
Goodwill	272,707	271,164
Intangible assets, net	457,371	459,983
Deferred income tax assets, net	156,485	153,883
Other assets, net	96,456	92,626
Total assets	$ 3,246,753	$ 3,362,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 160,142	$ 141,457
Accrued and other current liabilities	439,296	388,321
Unearned revenue	302,996	381,616
Current portion of long-term debt	11,022	38,710
Total current liabilities	913,456	950,104
Non-current operating lease liabilities	1,207,055	1,217,921
Long-term debt, net	839,041	997,770
Other long-term liabilities, net	134,294	185,355
Total liabilities	3,093,846	3,351,150
Commitments and contingencies (Note 18)		
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 27, 2021 and December 27, 2020	—	—
Common stock, $0.01 par value, 475,000,000 shares authorized; 89,210,729 and 87,855,571 shares issued and outstanding as of June 27, 2021 and December 27, 2020, respectively	892	879
Additional paid-in capital	1,109,904	1,132,808
Accumulated deficit	(762,319)	(918,096)
Accumulated other comprehensive loss	(202,188)	(211,446)
Total Bloomin' Brands stockholders' equity	146,289	4,145
Noncontrolling interests	6,618	6,812
Total stockholders' equity	152,907	10,957
Total liabilities and stockholders' equity	$ 3,246,753	$ 3,362,107

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

BLOOMIN’ BRANDS, INC.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Revenues				
Restaurant sales	$ 1,055,227	$ 576,261	$ 2,034,678	$ 1,572,498
Franchise and other revenues	22,139	2,198	30,161	14,298
Total revenues	1,077,366	578,459	2,064,839	1,586,796
Costs and expenses				
Food and beverage costs	312,102	180,758	603,972	500,451
Labor and other related	294,999	205,537	569,637	514,806
Other restaurant operating	233,450	177,846	462,743	424,401
Depreciation and amortization	40,539	45,784	81,765	94,052
General and administrative	66,462	55,487	123,710	140,289
Provision for impaired assets and restaurant closings	5,177	24,959	7,377	66,277
Total costs and expenses	952,729	690,371	1,849,204	1,740,276
Income (loss) from operations	124,637	(111,912)	215,635	(153,480)
Loss on extinguishment and modification of debt	(2,073)	(237)	(2,073)	(237)
Other income (expense), net	—	581	21	(212)
Interest expense, net	(14,990)	(16,639)	(29,618)	(28,347)
Income (loss) before provision (benefit) for income taxes	107,574	(128,207)	183,965	(182,276)
Provision (benefit) for income taxes	22,688	(35,779)	29,281	(55,434)
Net income (loss)	84,886	(92,428)	154,684	(126,842)
Less: net income (loss) attributable to noncontrolling interests	2,341	(172)	3,277	25
Net income (loss) attributable to Bloomin’ Brands	82,545	(92,256)	151,407	(126,867)
Redemption of preferred stock in excess of carrying value	—	—	—	(3,496)
Net income (loss) attributable to common stockholders	$ 82,545	$ (92,256)	$ 151,407	$ (130,363)
Net income (loss)	$ 84,886	$ (92,428)	$ 154,684	$ (126,842)
Other comprehensive income (loss):				
Foreign currency translation adjustment	10,015	(29,146)	3,440	(37,107)
Unrealized loss on derivatives, net of tax	(128)	(1,556)	(170)	(14,892)
Reclassification of adjustments for loss on derivatives included in Net income (loss), net of tax	1,514	2,585	4,517	3,981
Amortization of terminated interest rate swaps, net of tax	1,471	—	1,471	—
Comprehensive income (loss)	97,758	(120,545)	163,942	(174,860)
Less: comprehensive income (loss) attributable to noncontrolling interests	2,341	(172)	3,277	(639)
Comprehensive income (loss) attributable to Bloomin’ Brands	$ 95,417	$ (120,373)	$ 160,665	$ (174,221)
Earnings (loss) per share attributable to common stockholders:				
Basic	$ 0.93	$ (1.05)	$ 1.71	$ (1.49)
Diluted	$ 0.75	$ (1.05)	$ 1.38	$ (1.49)
Weighted average common shares outstanding:				
Basic	89,075	87,496	88,721	87,312
Diluted	109,805	87,496	110,223	87,312

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, March 28, 2021	88,855	$ 889	$ 1,097,639	$ (844,864)	$ (215,060)	$ 6,801	$ 45,405
Net income	—	—	—	82,545	—	2,341	84,886
Other comprehensive income, net of tax	—	—	—	—	12,872	—	12,872
Stock-based compensation	—	—	9,781	—	—	—	9,781
Common stock issued under stock plans (1)	356	3	2,484	—	—	—	2,487
Distributions to noncontrolling interests	—	—	—	—	—	(2,683)	(2,683)
Contributions from noncontrolling interests	—	—	—	—	—	159	159
Balance, June 27, 2021	89,211	$ 892	$ 1,109,904	$ (762,319)	$ (202,188)	$ 6,618	$ 152,907
Balance, December 27, 2020	87,856	$ 879	$ 1,132,808	$ (918,096)	$ (211,446)	$ 6,812	$ 10,957
Cumulative-effect from a change in accounting principle, net of tax	—	—	(47,323)	4,370	—	—	(42,953)
Net income	—	—	—	151,407	—	3,277	154,684
Other comprehensive income, net of tax	—	—	—	—	9,258	—	9,258
Stock-based compensation	—	—	14,507	—	—	—	14,507
Common stock issued under stock plans (1)	1,355	13	9,912	—	—	—	9,925
Distributions to noncontrolling interests	—	—	—	—	—	(4,141)	(4,141)
Contributions from noncontrolling interests	—	—	—	—	—	670	670
Balance, June 27, 2021	89,211	$ 892	$ 1,109,904	$ (762,319)	$ (202,188)	$ 6,618	$ 152,907

BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.						
	COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
Balance, March 29, 2020	87,417	$ 874	$ 1,074,081	$ (793,992)	$ (189,013)	$ 8,193	$ 100,143
Net loss	—	—	—	(92,256)	—	(172)	(92,428)
Other comprehensive loss, net of tax	—	—	—	—	(28,117)	—	(28,117)
Stock-based compensation	—	—	5,071	—	—	—	5,071
Common stock issued under stock plans (1)	117	1	(356)	—	—	—	(355)
Distributions to noncontrolling interests	—	—	—	—	—	(27)	(27)
Contributions from noncontrolling interests	—	—	—	—	—	94	94
Equity component value of convertible note issuance, net of tax of $650	—	—	64,367	—	—	—	64,367
Sale of common stock warrant	—	—	46,690	—	—	—	46,690
Purchase of convertible note hedge	—	—	(66,240)	—	—	—	(66,240)
Balance, June 28, 2020	87,534	$ 875	$ 1,123,613	$ (886,248)	$ (217,130)	$ 8,088	$ 29,198
Balance, December 29, 2019	86,946	$ 869	$ 1,094,338	$ (755,089)	$ (169,776)	$ 7,139	$ 177,481
Cumulative-effect from a change in accounting principle, net of tax	—	—	—	(4,292)	—	—	(4,292)
Net (loss) income	—	—	—	(126,867)	—	25	(126,842)
Other comprehensive loss, net of tax	—	—	—	—	(47,871)	(147)	(48,018)
Cash dividends declared, $0.20 per common share	—	—	(17,480)	—	—	—	(17,480)
Stock-based compensation	—		8,360	—	—	—	8,360
Consideration for preferred stock in excess of carrying value, net of tax	—	—	(3,496)	—	517	1,261	(1,718)
Common stock issued under stock plans (1)	588	6	(2,868)	—	—	—	(2,862)
Purchase of noncontrolling interests	—	—	(58)	—	—	1	(57)
Distributions to noncontrolling interests	—	—	—	—	—	(338)	(338)
Contributions from noncontrolling interests	—	—	—	—	—	147	147
Equity component value of convertible note issuance, net of tax of $650	—	—	64,367	—	—	—	64,367
Sale of common stock warrant	—	—	46,690	—	—	—	46,690
Purchase of convertible note hedge	—	—	(66,240)	—	—	—	(66,240)
Balance, June 28, 2020	87,534	$ 875	$ 1,123,613	$ (886,248)	$ (217,130)	$ 8,088	$ 29,198

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

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

BLOOMIN' BRANDS, INC.

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

	TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020
Cash flows provided by (used in) operating activities:		
Net income (loss)	$ 154,684	$ (126,842)
Adjustments to reconcile Net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	81,765	94,052
Amortization of debt discounts and issuance costs	2,396	2,966
Amortization of deferred gift card sales commissions	14,436	11,592
Provision for impaired assets and restaurant closings	7,377	66,277
Amortization of unrealized loss on terminated interest rate swaps	1,981	—
Non-cash operating lease costs	38,073	36,230
Provision for expected credit losses and contingent lease liabilities	937	7,447
Inventory obsolescence and spoilage	—	6,413
Stock-based and other non-cash compensation expense	14,507	8,360
Deferred income tax expense (benefit)	10,300	(58,578)
(Gain) loss on disposal of property, fixtures and equipment	(709)	1,014
Other, net	502	(991)
Change in assets and liabilities	(43,067)	(51,253)
Net cash provided by (used in) operating activities	283,182	(3,313)
Cash flows used in investing activities:		
Proceeds from disposal of property, fixtures and equipment	4,828	422
Capital expenditures	(51,398)	(53,205)
Other investments, net	3,945	4,782
Net cash used in investing activities	$ (42,625)	$ (48,001)

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BLOOMIN' BRANDS, INC.

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

	TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020
Cash flows (used in) provided by financing activities:		
Proceeds from issuance of long-term debt	$ 200,000	$ —
Repayments of long-term debt and finance lease obligations	(425,564)	(13,242)
Proceeds from borrowings on revolving credit facilities, net	286,000	505,000
Repayments of borrowings on revolving credit facilities	(599,000)	(489,000)
Financing fees	(5,868)	(3,096)
Proceeds from issuance of senior notes	300,000	—
Proceeds from issuance of convertible senior notes	—	230,000
Proceeds from issuance of warrants	—	46,690
Purchase of convertible note hedge	—	(66,240)
Issuance costs related to senior notes	(5,546)	(8,416)
Proceeds (payments of taxes) from share-based compensation, net	9,925	(2,862)
Distributions to noncontrolling interests	(4,141)	(338)
Contributions from noncontrolling interests	670	147
Purchase of limited partnership and noncontrolling interests	—	(57)
Payments for partner equity plan	(4,494)	(9,976)
Cash dividends paid on common stock	—	(17,480)
Redemption of subsidiary preferred stock	—	(1,475)
Net cash (used in) provided by financing activities	(248,018)	169,655
Effect of exchange rate changes on cash and cash equivalents	128	(2,955)
Net (decrease) increase in cash, cash equivalents and restricted cash	(7,333)	115,386
Cash, cash equivalents and restricted cash as of the beginning of the period	110,408	67,145
Cash, cash equivalents and restricted cash as of the end of the period	$ 103,075	$ 182,531
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 23,748	$ 23,595
Cash paid for income taxes, net of refunds	$ 11,883	$ 5,287
Supplemental disclosures of non-cash investing and financing activities:		
Leased assets obtained in exchange for new operating lease liabilities	$ 28,261	$ 13,549
Leased assets obtained in exchange for new finance lease liabilities	$ 48	$ 538
Decrease in liabilities from the acquisition of property, fixtures and equipment	$ (203)	$ (9,666)

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

1. Description of the Business and Basis of Presentation

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

Basis of Presentation - The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for fair financial statement presentation for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 27, 2020.

Recently Adopted Financial Accounting Standards - On December 28, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity," ("ASU No. 2020-06") which removes the separation models for convertible debt with a cash conversion feature or convertible instruments with a beneficial conversion feature. ASU No. 2020-06 also requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method is no longer permitted for convertible instruments. The Company adopted ASU No. 2020-06 using the modified retrospective approach which resulted in a cumulative-effect adjustment that increased (decreased) the following Consolidated Balance Sheet accounts during the first quarter of 2021:

ADJUSTMENT	CONSOLIDATED BALANCE SHEET CLASSIFICATION	AMOUNT (in millions)
Deferred tax impact of cumulative-effect adjustment	Deferred income tax assets, net	$ 14.9
Debt discount reclassification	Long-term debt, net	$ 59.9
Equity issuance costs reclassification	Long-term debt, net	$ (2.1)
Debt discount amortization reclassification, net of tax	Accumulated deficit	$ 4.4
Reversal of separated equity component, net of tax	Additional paid-in capital	$ (47.3)

After adopting ASU No. 2020-06, the Company's convertible senior notes due 2025 (the "2025 Notes") are reflected entirely as a liability since the embedded conversion feature is no longer separately presented within stockholders' equity. During 2020, the Company recognized debt discount amortization of $6.3 million within Interest expense, net related to its 2025 Notes.

In February 2021, the Company made an irrevocable election under the indenture to require the principal portion of its 2025 Notes to be settled in cash and any excess in shares. Following the irrevocable notice, only the amounts expected to be settled in excess of the principal will be considered in diluted earnings per share under the if-converted method.

Recently Issued Financial Accounting Standards Not Yet Adopted - Recent accounting guidance not discussed herein 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. COVID-19 Charges

In March 2020, the Company temporarily closed all restaurant dining rooms in the U.S. to comply with state and local regulations in response to the COVID-19 pandemic ("COVID-19"). Following is a summary of charges recorded in connection with the COVID-19 pandemic for the periods indicated (dollars in thousands):

CHARGES	CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) CLASSIFICATION	THIRTEEN WEEKS ENDED JUNE 28, 2020	TWENTY-SIX WEEKS ENDED JUNE 28, 2020
Inventory obsolescence and spoilage (1)	Food and beverage costs	$ 1,163	$ 7,345
Compensation for idle employees (2)	Labor and other related	11,388	27,574
Other operating charges	Other restaurant operating	2,467	2,467
Lease guarantee contingent liabilities (3)	General and administrative	—	4,188
Allowance for expected credit losses (4)	General and administrative	—	3,334
Other charges	General and administrative	1,216	1,789
Right-of-use asset impairment (5)	Provision for impaired assets and restaurant closings	5,273	25,757
Fixed asset impairment (5)	Provision for impaired assets and restaurant closings	19,611	31,339
Goodwill and other impairment (6)	Provision for impaired assets and restaurant closings	611	2,999
		$ 41,729	$ 106,792

(1) Includes the write-off of value-added tax credits during the twenty-six weeks ended June 28, 2020 related to the purchase of inventory by the Company's Brazil subsidiary.
(2) Represents relief pay for hourly employees impacted by the closure of dining rooms, net of $13.7 million of employee retention tax credits earned during the thirteen and twenty-six weeks ended June 28, 2020.
(3) Represents additional contingent liabilities recorded for lease guarantees related to certain former restaurant locations now operated by franchisees or other third parties.
(4) Includes additional reserves to reflect an increase in expected credit losses, primarily related to franchise receivables.
(5) Includes impairments resulting from the remeasurement of assets utilizing projected future cash flows revised for then current economic conditions, restructuring charges and the closure of certain restaurants.
(6) Includes impairment of goodwill for the Company's Hong Kong subsidiary during the twenty-six weeks ended June 28, 2020.

3. Revenue Recognition

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Revenues				
Restaurant sales	$ 1,055,227	$ 576,261	$ 2,034,678	$ 1,572,498
Franchise and other revenues				
Franchise revenue	12,221	1,951	19,010	11,500
Other revenues (1)	9,918	247	11,151	2,798
Total Franchise and other revenues	22,139	2,198	30,161	14,298
Total revenues	$ 1,077,366	$ 578,459	$ 2,064,839	$ 1,586,796

(1) During the thirteen and twenty-six weeks ended June 27, 2021, the Company recognized $6.3 million of other revenues in connection with favorable court rulings in Brazil regarding the calculation methodology and taxable base of Program of Social Integration ("PIS") and Contribution for the Financing of Social Security ("COFINS") taxes. The amount recognized as a result of the favorable court rulings primarily represents refundable PIS and COFINS taxes for prior years, including accrued interest, and will be recovered by offsetting future PIS and COFINS taxes due.

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

	THIRTEEN WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
(dollars in thousands)	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.				
Outback Steakhouse	$ 579,096	$ 8,418	$ 346,553	$ 136
Carrabba's Italian Grill	171,408	665	93,738	7
Bonefish Grill	149,036	174	63,744	4
Fleming's Prime Steakhouse & Wine Bar	88,101	—	31,156	—
Other	2,652	—	1,576	—
U.S. total	990,293	9,257	536,767	147
International				
Outback Steakhouse Brazil	43,310	—	24,003	—
Other (1)	21,624	2,964	15,491	1,804
International total	64,934	2,964	39,494	1,804
Total	$ 1,055,227	$ 12,221	$ 576,261	$ 1,951

	TWENTY-SIX WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
(dollars in thousands)	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.				
Outback Steakhouse	$ 1,126,291	$ 11,374	$ 877,238	$ 6,677
Carrabba's Italian Grill	329,094	1,282	240,613	468
Bonefish Grill	276,010	304	198,816	140
Fleming's Prime Steakhouse & Wine Bar	154,412	—	102,116	—
Other	4,545	—	2,873	—
U.S. total	1,890,352	12,960	1,421,656	7,285
International				
Outback Steakhouse Brazil	104,158	—	115,593	—
Other (1)	40,168	6,050	35,249	4,215
International total	144,326	6,050	150,842	4,215
Total	$ 2,034,678	$ 19,010	$ 1,572,498	$ 11,500

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

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

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

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Other current assets, net		
Deferred gift card sales commissions	$ 12,548	$ 19,300
Unearned revenue		
Deferred gift card revenue	$ 293,955	$ 373,048
Deferred loyalty revenue	8,604	8,099
Deferred franchise fees - current	437	469
Total Unearned revenue	$ 302,996	$ 381,616
Other long-term liabilities, net		
Deferred franchise fees - non-current	$ 4,174	$ 4,301

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Balance, beginning of period	$ 13,502	$ 13,049	$ 19,300	$ 18,554
Deferred gift card sales commissions amortization	(5,711)	(2,502)	(14,436)	(11,592)
Deferred gift card sales commissions capitalization	5,297	3,142	8,796	7,466
Other	(540)	(65)	(1,112)	(804)
Balance, end of period	$ 12,548	$ 13,624	$ 12,548	$ 13,624

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Balance, beginning of period	$ 306,075	$ 277,518	$ 373,048	$ 358,757
Gift card sales	63,921	41,649	108,090	100,088
Gift card redemptions	(71,859)	(37,404)	(176,799)	(170,585)
Gift card breakage	(4,182)	(1,790)	(10,384)	(8,287)
Balance, end of period	$ 293,955	$ 279,973	$ 293,955	$ 279,973

4. Impairments and Exit Costs

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

(dollars in thousands)	THIRTEEN WEEKS ENDED JUNE 27, 2021	THIRTEEN WEEKS ENDED JUNE 28, 2020	TWENTY-SIX WEEKS ENDED JUNE 27, 2021	TWENTY-SIX WEEKS ENDED JUNE 28, 2020
Impairment losses				
U.S. (1)	$ 5,768	$ 23,741	$ 7,174	$ 54,713
International (1)(2)	(555)	296	152	3,468
Corporate (3)	209	(119)	238	6,161
Total impairment losses	5,422	23,918	7,564	64,342
Restaurant closure charges				
U.S. (1)	(92)	1,041	(34)	1,762
International (1)	(153)	—	(153)	173
Total restaurant closure charges	(245)	1,041	(187)	1,935
Provision for impaired assets and restaurant closings	$ 5,177	$ 24,959	$ 7,377	$ 66,277

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(1) U.S. and international impairment and closure charges for the thirteen and twenty-six weeks ended June 28, 2020 primarily relate to the COVID-19 pandemic, including charges related to the COVID-19 Restructuring discussed below. See Note 2 - *COVID-19 Charges* for details regarding the impact of the COVID-19 pandemic on the Company's financial results.
(2) Includes goodwill impairment charges of $2.0 million during the twenty-six weeks ended June 28, 2020.
(3) Corporate impairment charges for the twenty-six weeks ended June 28, 2020 primarily relate to transformational initiatives.

COVID-19 Restructuring - During the thirteen and twenty-six weeks ended June 28, 2020, the Company recognized pre-tax asset impairments and closure charges in connection with the closure of 22 restaurants and from the update of certain cash flow assumptions, including lease renewal considerations (the "COVID-19 Restructuring"). Following is a summary of the COVID-19 Restructuring charges recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) for the periods indicated (dollars in thousands):

DESCRIPTION	CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) CLASSIFICATION	THIRTEEN AND TWENTY-SIX WEEKS ENDED JUNE 28, 2020
Property, fixtures and equipment impairments	Provision for impaired assets and restaurant closings	$ 16,932
Lease right-of-use asset impairments and closing costs	Provision for impaired assets and restaurant closings	3,920
Severance and other expenses	General and administrative	1,160
		$ 22,012

The remaining impairment and closure charges during the periods presented resulted primarily from locations identified for relocation or closure.

Annual Goodwill and Intangible Asset Impairment Assessment - The Company performs its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during its second fiscal quarter. The Company's 2021 assessment was qualitative and its 2020 assessment was quantitative. In connection with these assessments, the Company did not record any impairment charges.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Accrued Facility Closure and Other Costs Rollforward - The following table is a rollforward of the Company's closed facility lease liabilities and other accrued costs associated with the closure and restructuring initiatives, for the period indicated:

(dollars in thousands)	TWENTY-SIX WEEKS ENDED JUNE 27, 2021
Balance, beginning of the period	$ 12,879
Cash payments	(2,239)
Accretion	488
Adjustments	(790)
Balance, end of the period (1)	$ 10,338

(1) As of June 27, 2021, the Company had exit-related accruals related to certain closure and restructuring initiatives of $3.6 million recorded in Accrued and other current liabilities and $6.7 million recorded in Non-current operating lease liabilities on its Consolidated Balance Sheet.

5. Earnings (Loss) Per Share

The dilutive effect of the 2025 Notes is calculated using the if-converted method which was required upon the Company's adoption of ASU No. 2020-06. To the extent the Company has the ability to settle its 2025 Notes in shares of its common stock, the principal and conversion spread on the 2025 Notes will have a dilutive impact on diluted earnings per share when the average market price of the Company's common stock for a given period exceeds the conversion price of $11.89 per share of common stock. In February 2021, the Company provided the trustee of its 2025 Notes notice of the Company's irrevocable election to settle the principal portion of the 2025 Notes in cash and any excess in shares. As a result, subsequent to the election, only the amounts in excess of the principal amount are considered in diluted earnings per share under the if-converted method.

In connection with the offering of the 2025 Notes, the Company entered into the Convertible Note Hedge Transactions and Warrant Transactions described in Note 10 - *Convertible Senior Notes.* However, the Convertible Note Hedge Transactions are not considered when calculating dilutive shares given their impact is anti-dilutive. The impact of the Convertible Note Hedge Transactions would offset the dilutive impact of the shares underlying the 2025 Notes. The Warrant Transactions have a dilutive effect on the Company's common stock to the extent that the price of its common stock exceeds the $16.64 strike price of the Warrant Transactions. See Note 10 - *Convertible Senior Notes* for additional information regarding the 2025 Notes, Convertible Note Hedge Transactions and Warrant Transactions.

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

(in thousands, except per share data)	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Net income (loss) attributable to Bloomin' Brands	$ 82,545	$ (92,256)	$ 151,407	$ (126,867)
Redemption of preferred stock in excess of carrying value (1)	—	—	—	(3,496)
Net income (loss) attributable to common stockholders	82,545	(92,256)	151,407	(130,363)
Convertible senior notes if-converted method interest adjustment, net of tax (2)	—	—	691	—
Diluted net income (loss) attributable to common stockholders	$ 82,545	$ (92,256)	$ 152,098	$ (130,363)
Basic weighted average common shares outstanding	89,075	87,496	88,721	87,312
Effect of dilutive securities:				
Stock options	1,165	—	937	—
Nonvested restricted stock units	351	—	427	—
Nonvested performance-based share units	—	—	47	—
Convertible senior notes (2)(3)	11,231	—	13,212	—
Warrants (3)	7,983	—	6,879	—
Diluted weighted average common shares outstanding	109,805	87,496	110,223	87,312
Basic earnings (loss) per share attributable to common stockholders	$ 0.93	$ (1.05)	$ 1.71	$ (1.49)
Diluted earnings (loss) per share attributable to common stockholders	$ 0.75	$ (1.05)	$ 1.38	$ (1.49)

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(1) Consideration paid in excess of carrying value for the redemption of preferred stock is considered a deemed dividend and, for purposes of calculating earnings per share, reduces net income attributable to common stockholders for the twenty-six weeks ended June 28, 2020. See Note 12 - *Stockholders' Equity* for additional details.

(2) Adjustment for interest related to the 2025 Notes weighted for the portion of the period prior to the Company's election under the 2025 Notes indenture to settle the principal portion of its 2025 Notes in cash. Effective with the Company's election, there will be no further numerator adjustments for interest or denominator adjustments for shares required to settle the principal portion.

(3) Due to the Company's net loss during the thirteen and twenty-six weeks ended June 28, 2020, dilutive excess shares, if applicable, and warrants were excluded from the computation of diluted earnings per share as their effect would be antidilutive.

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

(shares in thousands)	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Stock options	—	5,352	682	5,009
Nonvested restricted stock units	9	990	41	821
Nonvested performance-based share units	465	624	448	578

6. Stock-based Compensation Plans

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Stock options	$ 469	$ 1,038	$ 1,334	$ 1,870
Restricted stock units	1,964	2,340	4,330	4,023
Performance-based share units (1)	7,318	1,693	8,787	2,392
	$ 9,751	$ 5,071	$ 14,451	$ 8,285

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(1) The thirteen and twenty-six weeks ended June 27, 2021 includes a cumulative life-to-date adjustment for PSUs granted in fiscal years 2019, 2020 and 2021 based on revised Company performance projections of performance criteria set forth in the award agreements.

In February 2021, the Company granted 0.3 million performance-based share units ("PSUs"). These PSUs maintain a three-year cliff vesting period and the underlying adjusted diluted earnings per share performance metric can range from zero to 200% of the annual target grant. The grants additionally included a Relative Total Shareholder Return ("Relative TSR") modifier to the final payout outcome, which can adjust the payout by 75%, 100% or 125% of the achieved performance metric, with the overall payout capped at 200% of the annual target grant. The Relative TSR is measured by comparing the Company's Relative TSR to that of the constituents of the S&P 1500 Restaurants index. The fair value of PSUs granted was estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that the market conditions will be achieved and was applied to the trading price of the Company's common stock on the date of the grant. Assumptions used in the Monte Carlo simulation model and the grant date fair value of PSUs granted were as follows for the period indicated:

	TWENTY-SIX WEEKS ENDED JUNE 27, 2021
Assumptions:	
Risk-free interest rate (1)	0.20 %
Volatility (2)	48.45 %
Grant date fair value per unit (3)	$ 29.73

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(1) Risk-free interest rate is the U.S. Treasury yield curve in effect as of the grant date for the performance period of the unit.
(2) Based on the historical volatility of the Company's stock over the last seven years.
(3) Represents a 14.3% premium above the per share value of the Company's common stock as of the grant date.

The following represents unrecognized stock-based compensation expense and the remaining weighted-average vesting period as of June 27, 2021:

	UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands)	**REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)**
Stock options	$ 1,556	0.9
Restricted stock units	$ 13,678	2.1
Performance-based share units	$ 24,264	1.8

7. Other Current Assets, Net

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

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Prepaid expenses	$ 22,668	$ 12,148
Accounts receivable - gift cards, net (1)	16,177	76,808
Accounts receivable - vendors, net (1)	9,212	8,886
Accounts receivable - franchisees, net (1)	887	1,007
Accounts receivable - other, net (1)	13,378	16,782
Deferred gift card sales commissions	12,548	19,300
Assets held for sale	1,358	3,831
Other current assets, net	8,756	12,756
	$ 84,984	$ 151,518

(1) See Note 16 - *Allowance for Expected Credit Losses* for a rollforward of the related allowance for expected credit losses.

8. Accrued and Other Current Liabilities

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

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Accrued rent and current operating lease liabilities	$ 184,486	$ 192,369
Accrued payroll and other compensation (1)	116,951	79,291
Accrued insurance	22,414	20,648
Other current liabilities (2)	115,445	96,013
	$ 439,296	$ 388,321

(1) During the twenty-six weeks ended June 27, 2021, the Company reclassified $27.3 million of payroll taxes deferred under the Coronavirus, Aid, Relief and Economic Security Act ("CARES Act") to current.

(2) During the twenty-six weeks ended June 27, 2021, sales tax payable and income tax payable increased by $8.7 million and $6.4 million, respectively, due to increased sales and pre-tax income during the period.

9. Long-term Debt, Net

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

	JUNE 27, 2021		DECEMBER 27, 2020	
(dollars in thousands)	**OUTSTANDING BALANCE**	**INTEREST RATE**	**OUTSTANDING BALANCE**	**INTEREST RATE**
Senior Secured Credit Facility:				
Term loan A (1)	$ 200,000	2.59 %	$ —	
Revolving credit facility (1)	134,000	2.59 %	—	
Total Senior Secured Credit Facility	334,000		—	
Former Credit Facility:				
Term loan A (1)	—		425,000	2.88 %
Revolving credit facility (1)	—		447,000	2.88 %
Total Former Credit Facility	—		872,000	
2025 Notes (2)	230,000	5.00 %	230,000	5.00 %
2029 Notes	300,000	5.13 %	—	
Finance lease liabilities	1,794		2,405	
Less: unamortized debt discount and issuance costs (3)	(15,576)		(67,704)	
Less: finance lease interest	(155)		(221)	
Total debt, net	850,063		1,036,480	
Less: current portion of long-term debt	(11,022)		(38,710)	
Long-term debt, net	$ 839,041		$ 997,770	

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(1) Interest rate represents the weighted-average interest rate as of the respective periods.
(2) See Note 10 - *Convertible Senior Notes* for details regarding the 2025 Notes and related hedge and warrant transactions.
(3) In connection with the adoption of ASU No. 2020-06, debt discount of $59.9 million related to the 2025 Notes was de-recognized and $2.1 million of equity issuance costs were reclassified as debt issuance costs during the twenty-six weeks ended June 27, 2021.

2029 Notes - On April 16, 2021, the Company and its wholly-owned subsidiary OSI Restaurant Partners, LLC ("OSI"), as co-issuers, issued $300.0 million aggregate principal amount of senior unsecured notes due 2029 (the "2029 Notes").

The 2029 Notes were issued pursuant to an Indenture, dated April 16, 2021 (the "Indenture"), by and among the Company, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee. The 2029 Notes are guaranteed by each of the Company's existing and future domestic restricted subsidiaries (other than OSI) that are guarantors or borrowers under its Senior Secured Credit Facility (as defined below) or certain other indebtedness. The 2029 Notes will mature on April 15, 2029, unless earlier redeemed or purchased by the Company. The 2029 Notes bear cash interest at an annual rate of 5.125% payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021.

The Company may redeem some or all of the 2029 Notes at any time on or after April 15, 2024, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest. The Company may also redeem up to 40% of the 2029 Notes in an amount not greater than the proceeds of certain equity offerings completed before April 15, 2024, at a redemption price equal to 105.125% of the principal amount thereof, plus accrued and unpaid interest. In addition, at any time prior to April 15, 2024, the Company may redeem some or all of the 2029 Notes at a price equal to 100% of the principal amount, plus a make-whole premium, plus accrued and unpaid interest.

The Indenture contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things, incur additional indebtedness or issue certain preferred stock; pay dividends, redeem stock or make other distributions; make certain investments; create restrictions on the ability of the Company's restricted subsidiaries to pay dividends or make other payments to the Company; create certain liens; transfer or sell certain assets; merge or consolidate; enter into certain transactions with the Company’s affiliates; and designate subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of exceptions and qualifications as set forth in the Indenture.

The Indenture contains customary events of default, including, without limitation, failure to make required payments, failure to comply with certain agreements or covenants, cross-acceleration to certain other indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency, and failure to pay certain judgments.

The net proceeds from the 2029 Notes offering were approximately $294.5 million, after deducting the initial purchaser’s discount and the Company’s offering expenses. The net proceeds were used to repay a portion of the Company’s outstanding Term loan A and revolving credit facility in conjunction with the refinancing of its Former Credit Facility.

Second Amended and Restated Credit Agreement - On April 16, 2021, the Company and OSI, as co-borrowers, entered into the Second Amended and Restated Credit Agreement (the “Second Amended and Restated Credit Agreement”), which provides for senior secured financing of up to $1.0 billion consisting of a $200.0 million Term loan A and an $800.0 million revolving credit facility (the “Senior Secured Credit Facility”). The Senior Secured Credit Facility matures on April 16, 2026 and replaced the Company’s prior senior secured financing of up to $1.5 billion (the “Former Credit Facility”).

The commitments under the Senior Secured Credit Facility may be increased in an aggregate principal amount of up to: (i) $425.0 million or (ii) at the Company’s option, up to an unlimited amount of incremental facilities, so long as the Consolidated Senior Secured Net Leverage Ratio (“CSSNLR”), as defined in the Second Amended and Restated Credit Agreement, is no more than 3.00 to 1.00 as of the last day of the most recent period of four consecutive fiscal quarters ended.

The Company may elect an interest rate at each reset period based on the Base Rate or the Eurocurrency Rate, plus an applicable spread. The Base Rate option is the highest of: (i) the prime rate of Wells Fargo Bank, National Association, (ii) the federal funds effective rate plus 0.5 of 1.0% or (iii) the Eurocurrency rate with a one-month interest period plus 1.0% (the “Base Rate”). The Eurocurrency Rate option is the seven, 30, 60, 90 or 180-day Eurocurrency rate, subject to a 0% floor (the “Eurocurrency Rate”). The interest rates are as follows:

	BASE RATE ELECTION	EUROCURRENCY RATE ELECTION
Term loan A and revolving credit facility	50 to 150 basis points over the Base Rate	150 to 250 basis points over the Eurocurrency Rate

Fees on letters of credit and daily unused availability under the revolving credit facility will be 150 to 250 basis points and 25 to 40 basis points, respectively.

The following is a summary of required quarterly amortization payments for the Term loan A (dollars in thousands):

SCHEDULED QUARTERLY PAYMENT DATES	TERM LOAN A
September 26, 2021 through June 30, 2024	$ 2,500
September 29, 2024 through June 29, 2025	$ 3,750
September 28, 2025 and December 28, 2025	$ 5,000

The Senior Secured Credit Facility contains mandatory prepayment requirements for the Term loan A, including the requirement that the Company prepay outstanding amounts under these loans with 50% of its annual excess cash flow, as defined in the Second Amended and Restated Credit Agreement, commencing with the fiscal year ending

December 25, 2022. The amount of outstanding loans required to be prepaid in accordance with the debt covenants may vary based on the Company's CSSNLR and year end results.

Total Net Leverage Ratio ("TNLR") is the ratio of Consolidated Total Debt (Current portion of long-term debt and Long-term debt, net of cash, excluding the 2025 Notes) to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization and certain other adjustments as defined in the Second Amended and Restated Credit Agreement). The Second Amended and Restated Credit Agreement requires a TNLR not to exceed the following thresholds for the periods indicated:

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

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

The Second Amended and Restated Credit Agreement limits, subject to certain exceptions, the Company's ability and the ability of its subsidiaries to: incur additional indebtedness; make significant payments; sell assets; pay dividends and other restricted payments; make certain investments; acquire certain assets; effect mergers and similar transactions; and effect certain other transactions with affiliates. The Company is also limited to $200.0 million of aggregate capital expenditures during the year ended December 26, 2021. The Second Amended and Restated Credit Agreement also prohibits the Company from paying certain dividends and making certain restricted payments and acquisitions until the Company is in compliance with its TNLR covenant for the period ended September 26, 2021.

As of June 27, 2021 and December 27, 2020, the Company was in compliance with its debt covenants.

Following is a summary of principal payments of the Company's total consolidated debt outstanding as of the period indicated:

(dollars in thousands)	JUNE 27, 2021
Year 1	$ 11,051
Year 2	10,250
Year 3	10,188
Year 4	245,175
Year 5	289,130
Thereafter	300,000
Total payments	865,794
Less: unamortized debt discount and issuance costs	(15,576)
Less: finance lease interest	(155)
Total principal payments	$ 850,063

Deferred Financing Fees - During the thirteen weeks ended June 27, 2021, the Company deferred $5.5 million and $5.9 million of financing costs incurred in connection with the 2029 Notes and Second Amended Credit Agreement, respectively. Deferred financing fees of $3.7 million associated with the revolving credit facility portion of the Second Amended Credit Agreement were recorded in Other assets, net and all other deferred financing fees were recorded in Long-term debt, net.

10. Convertible Senior Notes

2025 Notes - In May 2020, the Company completed a $230.0 million principal amount private offering of 5.00% convertible senior notes due in 2025. The 2025 Notes are governed by the terms of an indenture between the Company and Wells Fargo Bank, National Association, as the Trustee. The 2025 Notes will mature on May 1, 2025, unless earlier converted, redeemed or purchased by the Company. The 2025 Notes bear cash interest at an annual rate of 5.00%, payable semi-annually in arrears on May 1 and November 1 of each year. Net proceeds from the 2025 Notes offering were approximately $221.6 million, after deducting the initial purchaser's discounts and commissions and the Company's offering expenses.

The initial conversion rate applicable to the 2025 Notes is 84.122 shares of common stock per $1,000 principal amount of 2025 Notes, or a total of approximately 19.348 million shares for the total $230.0 million principal amount. This initial conversion rate is equivalent to an initial conversion price of approximately $11.89 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events.

Prior to the close of business on the business day immediately preceding November 1, 2024, holders may convert all or a portion of their 2025 Notes under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2020, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (ii) during the five consecutive business days immediately after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of 2025 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock and the conversion rate on each such trading day; (iii) upon the occurrence of specified corporate events or distributions on the Company's common stock; (iv) if the Company calls the 2025 Notes for redemption, and (v) at any time from, and including November 1, 2024 until the close of business on the second scheduled trading day immediately before the maturity date.

The 2025 Notes will be redeemable by the Company, in whole or in part, at the Company's option at any time, and from time to time, on or after May 1, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any of the 2025 Notes for redemption will constitute a make-whole fundamental change with respect to that note, in which case the conversion rate applicable to the conversion of the 2025 Notes will be increased in certain circumstances if it is converted after it is called for redemption.

If a fundamental change occurs prior to the maturity date, holders may require the Company to repurchase all or a portion of their 2025 Notes for cash at a price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus accrued and unpaid interest. Holders of 2025 Notes who convert their 2025 Notes in connection with a notice of a redemption or a make-whole fundamental change may be entitled to a premium in the form of an increase in the conversion rate of the 2025 Notes.

The following table includes the outstanding principal amount and carrying value of the 2025 Notes as of the periods indicated:

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Long-term debt, net		
Principal	$ 230,000	$ 230,000
Less: Debt discount (1)	—	(59,862)
Less: Debt issuance costs (1)(2)	(6,688)	(5,427)
Net carrying amount	223,312	164,711
Equity component (1)	$ —	$ 64,367

(1) In connection with the adoption of ASU No. 2020-06, debt discount and the equity component of the 2025 Notes were de-recognized and $2.1 million of issuance costs that were previously allocated to the equity component were reclassified as debt issuance costs during the twenty-six weeks ended June 27, 2021.
(2) Debt issuance costs are amortized to Interest expense, net using the effective interest method over the expected life of the 2025 Notes.

The effective rate of the 2025 Notes over their expected life is 5.85%. Following is a summary of interest expense for the 2025 Notes, by component, for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED JUNE 27, 2021	TWENTY-SIX WEEKS ENDED JUNE 27, 2021
Coupon interest	$ 2,875	$ 5,750
Deferred issuance cost amortization	386	767
Total interest expense	$ 3,261	$ 6,517

Based on the daily closing prices of the Company's stock during the quarter ended June 27, 2021, holders of the 2025 Notes are eligible to convert their 2025 Notes during the third quarter of 2021. In February 2021, the Company provided the trustee of the 2025 Notes notice of its irrevocable election under the 2025 Notes indenture to settle the principal portion of the 2025 Notes upon conversion in cash and any excess in shares.

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

The Convertible Note Hedge Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock that initially underlie the 2025 Notes, and are expected generally to reduce the potential equity dilution in excess of the principal amount due upon conversion of the 2025 Notes. The Warrant Transactions have a dilutive effect on the Company's common stock to the extent that the price of its common stock exceeds the strike price of the Warrant Transactions. The strike price is initially $16.64 per share and is subject to certain adjustments under the terms of the Warrant Transactions.

The Convertible Note Hedge Transactions are exercisable upon conversion of the 2025 Notes. The Convertible Note Hedge Transactions expire upon maturity of the 2025 Notes. The Warrant Transactions are exercisable on the expiration dates included in the related forms of confirmation.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

11. Other Long-term Liabilities, Net

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

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Accrued insurance liability	$ 32,704	$ 32,128
Chef and Restaurant Managing Partner deferred compensation obligations	20,687	32,306
Deferred payroll tax liabilities (1)	27,302	55,204
Other long-term liabilities (2)	53,601	65,717
	$ 134,294	$ 185,355

(1) During the twenty-six weeks ended June 27, 2021, the Company reclassified $27.3 million of payroll taxes deferred under the CARES Act to current.
(2) The Company's hedge liability decreased by $11.8 million during the twenty-six weeks ended June 27, 2021 primarily from the termination of certain interest rate swaps. See Note 13 - *Derivative Instruments and Hedging Activities* for additional details.

12. Stockholders' Equity

Redeemable Preferred Stock - In connection with the development of its Abbraccio Cucina Italiana ("Abbraccio") concept in 2015, the Company sold preferred shares of its Abbraccio subsidiary ("Abbraccio Shares") to certain investors.

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

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

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020
Foreign currency translation adjustment	$ (185,443)	$ (188,883)
Unrealized loss on derivatives, net of tax	(16,745)	(22,563)
Accumulated other comprehensive loss	$ (202,188)	$ (211,446)

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Foreign currency translation adjustment	$ 10,015	$ (29,146)	$ 3,440	$ (36,443)
Unrealized loss on derivatives, net of tax (1)	(128)	(1,556)	(170)	(14,892)
Reclassification of adjustments for loss on derivatives included in Net income (loss), net of tax (2)	1,514	2,585	4,517	3,981
Amortization of terminated interest rate swaps, net of tax	1,471	—	1,471	—
Total unrealized gain (loss) on derivatives, net of tax	2,857	1,029	5,818	(10,911)
Other comprehensive income (loss) attributable to Bloomin' Brands	$ 12,872	$ (28,117)	$ 9,258	$ (47,354)

(1) Unrealized loss on derivatives is net of tax of $0.5 million and $5.2 million for the thirteen and twenty-six weeks ended June 28, 2020, respectively.
(2) Reclassifications of adjustments for loss on derivatives are net of tax. See Note 13 - *Derivative Instruments and Hedging Activities* for the tax impact of reclassifications.

13. Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk - In October 2018, the Company entered into variable-to-fixed interest rate swap agreements with 12 counterparties to hedge a portion of the cash flows of the Company's variable rate debt. The swap agreements have an aggregate notional amount of $550.0 million and mature on November 30, 2022. Under the terms of the swap agreements, the Company pays a weighted-average fixed rate of 3.04% on the notional amount and receives payments from the counterparty based on the one-month LIBOR rate.

In connection with the refinancing of its Former Credit Facility, on April 16, 2021 the Company terminated its variable-to-fixed interest rate swap agreements with seven counterparties having an aggregate notional amount of $275.0 million for a payment of approximately $13.3 million, including accrued interest. Following these terminations, $13.4 million of unrealized losses related to the terminated swap agreements included in AOCL will be amortized on a straight-line basis to Interest expense, net over the remaining original term of the terminated swaps.

The Company's swap agreements have been designated and qualify as cash flow hedges, are recognized on its Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. As of June 27, 2021, the Company estimated $16.0 million will be reclassified to Interest expense, net over the next 12 fiscal months, including interest expense related to the terminated swap agreements discussed above.

The following table presents the fair value and classification of the Company's swap agreements, as of the periods indicated:

(dollars in thousands)	JUNE 27, 2021	DECEMBER 27, 2020	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - liability	$ 7,437	$ 14,855	Accrued and other current liabilities
Interest rate swaps - liability	3,821	15,640	Other long-term liabilities, net
Total fair value of derivative instruments - liabilities (1)	$ 11,258	$ 30,495	
Accrued interest	$ 697	$ 1,237	Accrued and other current liabilities

(1) See Note 15 - *Fair Value Measurements* for fair value discussion of the interest rate swaps.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Interest rate swap expense recognized in Interest expense, net	$ (2,038)	$ (3,482)	$ (6,082)	$ (5,362)
Income tax benefit recognized in Provision (benefit) for income taxes	524	897	1,565	1,381
Total effects on Net income (loss)	$ (1,514)	$ (2,585)	$ (4,517)	$ (3,981)

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 27, 2021, 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 27, 2021 and December 27, 2020, the fair value of the Company's interest rate swaps was in a net liability position, including accrued interest but excluding any adjustment for nonperformance risk, of $12.0 million and $32.2 million, respectively. As of June 27, 2021 and December 27, 2020, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of June 27, 2021 and December 27, 2020, it could have been required to settle its obligations under the agreements at their termination value of $12.0 million and $32.2 million, respectively.

14. Leases

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

(dollars in thousands)	CONSOLIDATED BALANCE SHEET CLASSIFICATION	JUNE 27, 2021	DECEMBER 27, 2020
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 1,161,650	$ 1,172,910
Finance lease right-of-use assets (1)	Property, fixtures and equipment, net	1,447	1,947
Total lease assets, net		$ 1,163,097	$ 1,174,857
Current operating lease liabilities (2)	Accrued and other current liabilities	$ 177,807	$ 176,791
Current finance lease liabilities	Current portion of long-term debt	1,022	1,210
Non-current operating lease liabilities (3)	Non-current operating lease liabilities	1,206,269	1,216,666
Non-current finance lease liabilities	Long-term debt, net	617	974
Total lease liabilities		$ 1,385,715	$ 1,395,641

(1) Net of accumulated amortization of $2.8 million and $2.3 million as of June 27, 2021 and December 27, 2020, respectively.
(2) Excludes COVID-19-related deferred rent accruals of $3.4 million and $12.8 million as of June 27, 2021 and December 27, 2020, respectively, and accrued contingent percentage rent of $3.3 million and $2.7 million, as of June 27, 2021 and December 27, 2020, respectively.
(3) Excludes COVID-19-related non-current deferred rent accruals of $0.8 million and $1.2 million as of June 27, 2021 and December 27, 2020, respectively.

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

	CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) CLASSIFICATION	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)		JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Operating leases (1)	Other restaurant operating	$ 43,763	$ 42,776	$ 88,555	$ 88,658
Variable lease cost (2)	Other restaurant operating	731	(1,046)	1,508	74
Finance leases					
Amortization of leased assets	Depreciation and amortization	258	315	520	657
Interest on lease liabilities	Interest expense, net	31	37	67	83
Sublease revenue (3)	Franchise and other revenues	(2,825)	(109)	(3,660)	(1,786)
Lease costs, net		$ 41,958	$ 41,973	$ 86,990	$ 87,686

(1) Excludes rent expense for office facilities and Company-owned closed or subleased properties of $3.2 million and $3.3 million for the thirteen weeks ended June 27, 2021 and June 28, 2020, respectively, and $6.7 million and $6.9 million for the twenty-six weeks ended June 27, 2021 and June 28, 2020, respectively, which is included in General and administrative expense. Also excludes certain supply chain related rent expense of $0.3 million for the thirteen weeks ended June 27, 2021 and June 28, 2020 and $0.6 million for the twenty-six weeks ended June 27, 2021 and June 28, 2020, which is included in Food and beverage costs.
(2) Includes COVID-19-related rent abatement for all periods presented.
(3) Excludes immaterial rental income from Company-owned properties.

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

	TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**
Cash flows from operating activities:		
Cash paid for amounts included in the measurement of operating lease liabilities	$ 105,323	$ 75,688

15. Fair Value Measurements

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

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

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

	JUNE 27, 2021			DECEMBER 27, 2020		
(dollars in thousands)	**TOTAL**	**LEVEL 1**	**LEVEL 2**	**TOTAL**	**LEVEL 1**	**LEVEL 2**
Assets:						
Cash equivalents:						
Fixed income funds	$ 8,664	$ 8,664	$ —	$ 15,404	$ 15,404	$ —
Money market funds	14,054	14,054	—	16,494	16,494	—
Restricted cash equivalents:						
Money market funds	1,790	1,790	—	428	428	—
Total asset recurring fair value measurements	$ 24,508	$ 24,508	$ —	$ 32,326	$ 32,326	$ —
Liabilities:						
Accrued and other current liabilities:						
Derivative instruments - interest rate swaps	$ 7,437	$ —	$ 7,437	$ 14,855	$ —	$ 14,855
Other long-term liabilities:						
Derivative instruments - interest rate swaps	3,821	—	3,821	15,640	—	15,640
Total liability recurring fair value measurements	$ 11,258	$ —	$ 11,258	$ 30,495	$ —	$ 30,495

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

FINANCIAL INSTRUMENT	**METHODS AND ASSUMPTIONS**
Fixed income funds and Money market funds	Carrying value approximates fair value because maturities are less than three months.
Derivative instruments	The Company's derivative instruments include interest rate swaps. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The Company also considers its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. As of June 27, 2021 and December 27, 2020, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

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

	THIRTEEN WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
(dollars in thousands)	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT
Operating lease right-of-use assets (1)	$ 5,687	$ 962	$ 32,404	$ 4,028
Property, fixtures and equipment (2)	8,192	4,460	9,992	19,595
Goodwill and other assets (3)	—	—	748	295
	$ 13,879	$ 5,422	$ 43,144	$ 23,918

	TWENTY-SIX WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
(dollars in thousands)	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT	REMAINING CARRYING VALUE	TOTAL IMPAIRMENT
Assets held for sale (1)	$ —	$ —	$ 1,182	$ 75
Operating lease right-of-use assets (1)	7,651	1,512	85,537	23,591
Property, fixtures and equipment (2)	8,928	6,052	28,390	37,993
Goodwill and other assets (3)	—	—	748	2,683
	$ 16,579	$ 7,564	$ 115,857	$ 64,342

(1) Asset carrying values measured using discounted cash flow models (Level 3).
(2) Carrying values measured using Level 2 inputs to estimate fair value totaled $0.5 million and $2.2 million for the thirteen and twenty-six weeks ended June 28, 2020, respectively. All other assets were valued using Level 3 inputs. Third-party market appraisals (Level 2) and discounted cash flow models (Level 3) were used to estimate fair value.
(3) Other assets generally measured using the quoted market value of comparable assets (Level 2).

See Note 4 - *Impairments and Exit Costs* for information regarding impairment charges resulting from the fair value measurement performed on a nonrecurring basis during the thirteen and twenty-six weeks ended June 28, 2020. Projected future cash flows, including discount rate and growth rate assumptions, are derived from then current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

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

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

UNOBSERVABLE INPUTS	THIRTEEN WEEKS ENDED JUNE 28, 2020			TWENTY-SIX WEEKS ENDED JUNE 28, 2020		
Weighted-average cost of capital		10.9%		10.4%	to	10.9%
Long-term growth rate	1.5%	to	2.0%	1.5%	to	2.0%

Interim Disclosures about Fair Value of Financial Instruments - The Company's non-derivative financial instruments consist of cash equivalents, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying amounts reported on its Consolidated Balance Sheets due to their short duration.

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

	JUNE 27, 2021		DECEMBER 27, 2020	
(dollars in thousands)	CARRYING VALUE	FAIR VALUE LEVEL 2	CARRYING VALUE	FAIR VALUE LEVEL 2
Senior Secured Credit Facility:				
Term loan A	$ 200,000	$ 196,250	$ —	$ —
Revolving credit facility	$ 134,000	$ 128,850	$ —	$ —
Former Credit Facility:				
Term loan A	$ —	$ —	$ 425,000	$ 412,250
Revolving credit facility	$ —	$ —	$ 447,000	$ 419,612
2025 Notes	$ 230,000	$ 559,450	$ 230,000	$ 413,818
2029 Notes	$ 300,000	$ 307,503	$ —	$ —

16. Allowance for Expected Credit Losses

The following table is a rollforward of the Company's trade receivables allowance for expected credit losses for the periods indicated:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Allowance for expected credit losses, beginning of period	$ 3,997	$ 4,551	$ 4,095	$ 199
Adjustment for adoption of ASU No. 2016-13	—	—	—	1,018
Provision for expected credit losses (1)	—	15	—	3,349
Charge-off of accounts	(8)	—	(106)	—
Allowance for expected credit losses, end of period	$ 3,989	$ 4,566	$ 3,989	$ 4,566

(1) In March 2020, the Company fully reserved substantially all of its outstanding franchise receivables in response to the economic impact of the COVID-19 pandemic. See Note 2 - *COVID-19 Charges* for details regarding the impact of the COVID-19 pandemic on the Company's financial results.

The Company is also exposed to credit losses from off-balance sheet lease guarantees primarily related to the divestiture of certain formerly Company-owned restaurant sites. See Note 18 - *Commitments and Contingencies* for details regarding these lease guarantees.

17. Income Taxes

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Income (loss) before provision (benefit) for income taxes	$ 107,574	$ (128,207)	$ 183,965	$ (182,276)
Provision (benefit) for income taxes	$ 22,688	$ (35,779)	$ 29,281	$ (55,434)
Effective income tax rate	21.1 %	27.9 %	15.9 %	30.4 %

The effective income tax rate for the thirteen and twenty-six weeks ended June 27, 2021 decreased by 6.8 and 14.5 percentage points, respectively, as compared to the thirteen and twenty-six weeks ended June 28, 2020. These decreases were primarily due to the benefit of FICA tax credits on certain employees' tips reducing the effective tax rate in 2021 as a result of forecasted pre-tax book income as compared to increasing the effective tax rate in 2020 as a result of forecasted pre-tax book loss.

As of December 27, 2020, the Company had $155.3 million in general business tax credits carryforwards, which have a 20-year carryforward period and are utilized on a first-in, first-out basis. The Company does not expect to increase its general business credit carryforwards in 2021 and currently expects to utilize these tax credit carryforwards within a 10-year period. However, the Company's ability to utilize these tax credits could be adversely impacted by, among other items, a future ownership change as defined under Section 382 of the Internal Revenue Code.

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen and twenty-six weeks ended June 27, 2021 was lower than the statutory rate primarily due to the benefit of FICA tax credits on certain employees' tips.

18. Commitments and Contingencies

Litigation and Other Matters - 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. A reserve is recorded when it is both: (i) probable that a loss has occurred and (ii) the amount of loss can be reasonably estimated. There may be instances in which an exposure to loss exceeds the recorded reserve. The Company evaluates, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the reserve that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

The Company's legal proceedings range from cases brought by a single plaintiff to threatened class actions with many putative class members. While some matters pending against the Company specify the damages claimed by the plaintiff or class, many seek an unspecified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against the Company are stated, the claimed amount may be exaggerated, unsupported or unrelated to possible outcomes, and as such, are not meaningful indicators of the Company's potential liability or financial exposure. As a result, some matters have not yet progressed sufficiently through discovery or development of important factual information and legal issues to enable the Company to estimate an amount of loss or a range of possible loss.

The Company recorded reserves of $5.9 million and $4.6 million for certain of its outstanding legal proceedings as of June 27, 2021 and December 27, 2020, respectively, within Accrued and other current liabilities and Other long-term liabilities on its Consolidated Balance Sheets. While the Company believes that additional losses beyond these accruals are reasonably possible, it cannot estimate a possible loss contingency or range of reasonably possible loss contingencies beyond these accruals.

The Company intends to defend itself in legal matters. Some of these matters may be covered, at least in part, by insurance if they exceed specified retention or deductible amounts. However, it is possible that claims may be denied by the Company's insurance carriers, the Company may be required by its insurance carriers to contribute to the payment of claims, and the Company's insurance coverage may not continue to be available on acceptable terms or in sufficient amounts. The Company records receivables from third party insurers when recovery has been determined to be probable. The Company believes that the ultimate determination of liability in connection with legal claims pending against the Company, if any, in excess of amounts already provided for such matters in the consolidated financial statements, will not have a material adverse effect on its business, annual results of operations, liquidity or financial position. However, it is possible that the Company's business, results of operations, liquidity, or financial condition could be materially affected in a particular future reporting period by the unfavorable resolution of one or more matters or contingencies during such period.

Lease Guarantees - The Company assigned its interest, and is contingently liable, under certain real estate leases. These leases have varying terms, the latest of which expires in 2032. As of June 27, 2021, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately $27.9 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of June 27, 2021 was approximately $22.9 million. In the event of default, the indemnity clauses in the Company's purchase and sale agreements govern its ability to pursue and recover damages incurred. As of June 27, 2021, the Company's recorded contingent lease liability was $10.3 million.

19. Segment Reporting

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

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

(1) Includes franchise locations.

Segment accounting policies are the same as those described in Note 2 - *Summary of Significant Accounting Policies* in the Company's Annual Report on Form 10-K for the year ended December 27, 2020. Revenues for all segments include only transactions with customers and exclude intersegment revenues. Excluded from Income (loss) from operations for U.S. and international are certain legal and corporate costs not directly related to the performance of the segments, most stock-based compensation expenses and certain bonus expenses.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Total revenues				
U.S.	$ 1,003,058	$ 537,080	$ 1,907,976	$ 1,431,577
International	74,308	41,379	156,863	155,219
Total revenues	$ 1,077,366	$ 578,459	$ 2,064,839	$ 1,586,796

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Segment income (loss) from operations				
U.S.	$ 165,297	$ (62,921)	$ 287,032	$ (51,542)
International	2,470	(17,070)	6,007	(10,283)
Total segment income (loss) from operations	167,767	(79,991)	293,039	(61,825)
Unallocated corporate operating expense (1)	(43,130)	(31,921)	(77,404)	(91,655)
Total income (loss) from operations	124,637	(111,912)	215,635	(153,480)
Loss on extinguishment and modification of debt	(2,073)	(237)	(2,073)	(237)
Other income (expense), net	—	581	21	(212)
Interest expense, net	(14,990)	(16,639)	(29,618)	(28,347)
Income (loss) before provision (benefit) for income taxes	$ 107,574	$ (128,207)	$ 183,965	$ (182,276)

(1) The thirteen and twenty-six weeks ended June 28, 2020 include $2.4 million and $24.6 million, respectively, of charges that were not allocated to the Company's segments related to its transformational initiatives, primarily recorded within General and administrative expense and Provision for impaired assets and restaurant closings.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Depreciation and amortization				
U.S.	$ 33,578	$ 37,308	$ 67,223	$ 74,948
International	5,566	5,884	11,286	12,642
Corporate	1,395	2,592	3,256	6,462
Total depreciation and amortization	$ 40,539	$ 45,784	$ 81,765	$ 94,052

The following table is a summary of capital expenditures by segment for the periods indicated:

	TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**
Capital expenditures		
U.S.	$ 42,574	$ 30,692
International	5,531	10,914
Corporate	3,138	2,471
Total capital expenditures	$ 51,243	$ 44,077

20. Subsequent Events

On August 2, 2021, wholly-owned subsidiaries of the Company entered into the Purchase and Sale of Royalty Payment Stream and Termination of Royalty Agreement (the "Royalty Termination Agreement") with the Carrabba's Italian Grill founders (the "Carrabba's Founders"), pursuant to which the Company's obligation to pay future royalties on U.S. Carrabba's Italian Grill restaurant sales and lump sum royalty fees on Carrabba's Italian Grill restaurants opened outside the U.S. was terminated. Upon execution of the Royalty Termination Agreement, the Company made a cash payment of $61.9 million to the Carrabba's Founders, which was recorded in Other restaurant operating expense in its Consolidated Statements of Operations and Comprehensive Income (Loss) during the thirteen weeks ended September 26, 2021.

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

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

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

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

(vi) Our ability to recruit and retain high-quality leadership, restaurant-level management and team members;

(vii) Our ability to preserve and grow the reputation and value of our brands, particularly in light of changes in consumer engagement with social media platforms and limited control with respect to the operations of our franchisees;

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

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

(x) Dependence on a limited number of suppliers and distributors to meet our beef and other major product supply needs;

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

(xii) Our ability to 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, and the impact of litigation;

(xiii) Our ability to effectively respond to changes in patterns of consumer traffic, consumer tastes and dietary habits, including by maintaining relationships with third party delivery apps and services;

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

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

(xvi) 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;

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

(xviii) 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 27, 2020.

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 27, 2021, we owned and operated 1,163 restaurants and franchised 321 restaurants across 47 states, 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.

Financial Highlights

Our financial highlights for the thirteen weeks ended June 27, 2021 ("second quarter of 2021") include the following:

- U.S. combined and Outback Steakhouse comparable restaurant sales of 84.6% and 65.8%, respectively, relative to the second quarter of 2020, and 12.1% and 11.3%, respectively, relative to the second quarter of 2019;
- Increase in Total revenues of 86.2% in the second quarter of 2021, as compared to the second quarter of 2020, and 5.4% as compared to the second quarter of 2019;
- Restaurant-level operating margin of 20.3% for the second quarter of 2021, as compared to 2.1% and 15.0% for the second quarters of 2020 and 2019, respectively;
- Income (loss) from operations of $124.6 million in the second quarter of 2021, as compared to $(111.9) million and $43.5 million in the second quarters of 2020 and 2019, respectively; and
- Diluted earnings (loss) per share attributable to common stockholders of $0.75 in the second quarter of 2021 as compared to $(1.05) and $0.32 in the second quarters of 2020 and 2019, respectively.

Key Performance Indicators

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

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

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

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

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

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

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

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

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

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

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

Selected Operating Data

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

Number of restaurants (at end of the period):	**JUNE 27, 2021**	**JUNE 28, 2020**
U.S.:		
Outback Steakhouse		
Company-owned	566	567
Franchised	131	141
Total	697	708
Carrabba's Italian Grill		
Company-owned	199	199
Franchised	20	21
Total	219	220
Bonefish Grill		
Company-owned	179	182
Franchised	7	7
Total	186	189
Fleming's Prime Steakhouse & Wine Bar		
Company-owned	64	65
Other		
Company-owned (1)	8	5
U.S. total	1,174	1,187
International:		
Company-owned		
Outback Steakhouse—Brazil (2)	113	103
Other (1)(3)	34	30
Franchised		
Outback Steakhouse—South Korea (3)	108	85
Other (1)	55	55
International total	310	273
System-wide total	1,484	1,460

(1) U.S. Other Company-owned included four and three fast-casual Aussie Grill locations as of June 27, 2021 and June 28, 2020, respectively. International Franchised Other included three and two fast-casual Aussie Grill locations as of June 27, 2021 and June 28, 2020, respectively. International Company-owned Other included two and one fast-casual Aussie Grill locations as of June 27, 2021 and June 28, 2020, respectively.
(2) The restaurant counts for Brazil are reported as of May 31, 2021 and 2020, respectively, to correspond with the balance sheet dates of this subsidiary.
(3) Franchised Outback Steakhouse - South Korea included 32 and 10 international dark kitchens that offer delivery only as of June 27, 2021 and June 28, 2020, respectively. In addition, we had one international dark kitchen included within Company-owned Other as of both periods presented.

Results of Operations

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Revenues				
Restaurant sales	97.9 %	99.6 %	98.5 %	99.1 %
Franchise and other revenues	2.1	0.4	1.5	0.9
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses				
Food and beverage costs (1)	29.6	31.4	29.7	31.8
Labor and other related (1)	28.0	35.7	28.0	32.7
Other restaurant operating (1)	22.1	30.9	22.7	27.0
Depreciation and amortization	3.8	7.9	4.0	5.9
General and administrative	6.2	9.6	6.0	8.8
Provision for impaired assets and restaurant closings	0.5	4.3	0.4	4.2
Total costs and expenses	88.4	119.3	89.6	109.7
Income (loss) from operations	11.6	(19.3)	10.4	(9.7)
Loss on extinguishment and modification of debt	(0.2)	(*)	(0.1)	(*)
Other income (expense), net	—	0.1	*	(*)
Interest expense, net	(1.4)	(3.0)	(1.4)	(1.8)
Income (loss) before provision (benefit) for income taxes	10.0	(22.2)	8.9	(11.5)
Provision (benefit) for income taxes	2.1	(6.2)	1.4	(3.5)
Net income (loss)	7.9	(16.0)	7.5	(8.0)
Less: net income (loss) attributable to noncontrolling interests	0.2	(0.1)	0.2	*
Net income (loss) attributable to Bloomin' Brands	7.7 %	(15.9)%	7.3 %	(8.0)%

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

RESTAURANT SALES

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

(dollars in millions)	THIRTEEN WEEKS ENDED	TWENTY-SIX WEEKS ENDED
For the periods ended June 28, 2020	$ 576.3	$ 1,572.5
Change from:		
Comparable restaurant sales	473.5	479.6
Restaurant openings	13.6	26.6
Restaurant closures	(7.2)	(26.0)
Effect of foreign currency translation	(1.0)	(18.0)
For the periods ended June 27, 2021	$ 1,055.2	$ 2,034.7

The increase in Restaurant sales during the thirteen weeks ended June 27, 2021 was primarily due to: (i) higher comparable restaurant sales from in-restaurant dining and strong retention of off-premises sales and (ii) the opening of 32 new restaurants not included in our comparable restaurant sales base. The increase in Restaurant sales was partially offset by the closure of 34 restaurants since March 29, 2020.

The increase in Restaurant sales during the twenty-six weeks ended June 27, 2021 was primarily due to: (i) higher comparable restaurant sales from in-restaurant dining and strong retention of off-premises sales and (ii) the opening of 35 new restaurants not included in our comparable restaurant sales base. The increase in Restaurant sales was partially offset by the closure of 39 restaurants since December 29, 2019 and the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar.

Average Restaurant Unit Volumes and Operating Weeks

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Average restaurant unit volumes (weekly):				
U.S.				
Outback Steakhouse	$ 78,201	$ 46,278	$ 75,813	$ 58,201
Carrabba's Italian Grill	$ 66,258	$ 35,394	$ 63,605	$ 45,395
Bonefish Grill	$ 63,772	$ 25,866	$ 59,014	$ 40,292
Fleming's Prime Steakhouse & Wine Bar	$ 105,891	$ 36,649	$ 93,204	$ 59,027
International				
Outback Steakhouse - Brazil (1)	$ 29,569	$ 17,731	$ 36,205	$ 43,512
Operating weeks:				
U.S.				
Outback Steakhouse	7,362	7,466	14,745	14,965
Carrabba's Italian Grill	2,587	2,648	5,174	5,300
Bonefish Grill	2,337	2,464	4,677	4,934
Fleming's Prime Steakhouse & Wine Bar	832	850	1,657	1,730
International				
Outback Steakhouse - Brazil	1,465	1,354	2,877	2,657

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(1) Translated at average exchange rates of 5.45 and 5.15 for the thirteen weeks ended June 27, 2021 and June 28, 2020, respectively, and 5.36 and 4.39 for the twenty-six weeks ended June 27, 2021 and June 28, 2020, respectively.

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

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

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
	JUNE 27, 2021		JUNE 28, 2020	JUNE 27, 2021		JUNE 28, 2020
	Comparable to 2019 (1)	Comparable to 2020	Comparable to 2019	Comparable to 2019 (1)	Comparable to 2020	Comparable to 2019
Year over year percentage change:						
Comparable restaurant sales (stores open 18 months or more):						
U.S. (2)						
Outback Steakhouse	11.3 %	65.8 %	(32.9)%	2.3 %	28.8 %	(20.6)%
Carrabba's Italian Grill	16.7 %	84.3 %	(36.7)%	7.7 %	38.4 %	(22.2)%
Bonefish Grill	4.2 %	141.2 %	(56.8)%	(6.3)%	43.5 %	(34.7)%
Fleming's Prime Steakhouse & Wine Bar	24.4 %	182.6 %	(56.3)%	3.6 %	55.6 %	(33.6)%
Combined U.S.	12.1 %	84.6 %	(39.4)%	1.9 %	34.4 %	(24.2)%
International						
Outback Steakhouse - Brazil (3)	(36.3)%	78.8 %	(63.9)%	(26.2)%	2.7 %	(27.4)%
Traffic:						
U.S.						
Outback Steakhouse	4.4 %	51.4 %	(31.0)%	(2.7)%	21.9 %	(20.2)%
Carrabba's Italian Grill	13.0 %	57.2 %	(28.1)%	5.8 %	27.0 %	(16.7)%
Bonefish Grill	3.9 %	52.4 %	(29.8)%	(4.7)%	22.4 %	(20.6)%
Fleming's Prime Steakhouse & Wine Bar	11.9 %	97.0 %	(43.5)%	(3.5)%	33.5 %	(28.0)%
Combined U.S.	6.2 %	53.6 %	(30.6)%	(1.4)%	23.2 %	(19.8)%
International						
Outback Steakhouse - Brazil	(20.3)%	63.0 %	(48.5)%	(13.6)%	8.9 %	(19.0)%
Average check per person (4):						
U.S.						
Outback Steakhouse	6.9 %	14.4 %	(1.9)%	5.0 %	6.9 %	(0.4)%
Carrabba's Italian Grill	3.7 %	27.1 %	(8.6)%	1.9 %	11.4 %	(5.5)%
Bonefish Grill	0.3 %	88.8 %	(27.0)%	(1.6)%	21.1 %	(14.1)%
Fleming's Prime Steakhouse & Wine Bar	12.5 %	85.6 %	(12.8)%	7.1 %	22.1 %	(5.6)%
Combined U.S.	5.9 %	31.0 %	(8.8)%	3.3 %	11.2 %	(4.4)%
International						
Outback Steakhouse - Brazil	(15.8)%	22.2 %	(15.2)%	(12.4)%	(4.5)%	(8.4)%

(1) Represents comparable restaurant sales, traffic and average check per person increases (decreases) relative to fiscal year 2019 for improved comparability due to the impact of COVID-19 on fiscal year 2020 restaurant sales.
(2) Relocated restaurants closed more than 60 days are excluded from comparable restaurant sales until at least 18 months after reopening.
(3) Excludes the effect of fluctuations in foreign currency rates. Includes trading day impact from calendar period reporting.
(4) Average check per person includes the impact of menu pricing changes, product mix and discounts.

Franchise and other revenues

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Franchise revenues (1)	$ 12.2	$ 2.0	$ 19.0	$ 11.5
Other revenues (2)	9.9	0.2	11.2	2.8
Franchise and other revenues	$ 22.1	$ 2.2	$ 30.2	$ 14.3

(1) Represents franchise royalties, advertising fees and initial franchise fees. Franchise revenues increased during the thirteen and twenty-six weeks ended June 27, 2021 primarily due to higher franchise sales partially offset by a reduction in the royalty and advertising fee percentages resulting from our December 2020 resolution agreement with Out West, our largest U.S. franchisee.

(2) During the thirteen and twenty-six weeks ended June 27, 2021, we recognized $6.3 million of other revenues in connection with favorable court rulings in Brazil regarding the calculation methodology and taxable base of PIS and COFINS taxes. The amount recognized as a result of the favorable court rulings primarily represents refundable PIS and COFINS taxes for prior years, including accrued interest, and will be recovered by offsetting future PIS and COFINS taxes due.

COSTS AND EXPENSES

Food and beverage costs

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Food and beverage costs	$ 312.1	$ 180.8		$ 604.0	$ 500.5	
% of Restaurant sales	29.6 %	31.4 %	(1.8)%	29.7 %	31.8 %	(2.1)%

Food and beverage costs decreased as a percentage of Restaurant sales during the thirteen weeks ended June 27, 2021 as compared to the thirteen weeks ended June 28, 2020 primarily due to: (i) 1.2% from increases in average check per person, primarily driven by reduced discounting and changes in product mix, (ii) 0.2% from the impact of certain cost savings initiatives and (iii) 0.2% from reduced commodity costs, primarily due to vendor rebates.

Food and beverage costs decreased as a percentage of Restaurant sales during the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 primarily due to: (i) 1.1% from increases in average check per person, primarily driven by reduced discounting and changes in product mix, (ii) 0.6% from the impact of certain cost savings initiatives and (iii) 0.4% from inventory obsolescence and spoilage costs during 2020 associated with the COVID-19 pandemic.

Labor and other related expenses

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Labor and other related	$ 295.0	$ 205.5		$ 569.6	$ 514.8	
% of Restaurant sales	28.0 %	35.7 %	(7.7)%	28.0 %	32.7 %	(4.7)%

Labor and other related expenses decreased as a percentage of Restaurant sales during the thirteen weeks ended June 27, 2021 as compared to the thirteen weeks ended June 28, 2020 primarily due to 11.4% from leveraging increased restaurant sales. This decrease was partially offset by an increase as a percentage of Restaurant sales of: (i) 2.4% from the 2020 benefit of employee retention credits from relief pay, (ii) 0.8% from higher management bonus and (iii) 0.2% from wage rate increases.

Labor and other related expenses decreased as a percentage of Restaurant sales during the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 primarily due to 4.3% from leveraging increased restaurant sales and 1.6% from the 2020 impact of net relief pay. These decreases were partially offset by increases as a percentage of Restaurant sales of 0.8% from higher management bonus and 0.3% from wage rate increases.

Other restaurant operating expenses

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Other restaurant operating	$ 233.5	$ 177.8		$ 462.7	$ 424.4	
% of Restaurant sales	22.1 %	30.9 %	(8.8)%	22.7 %	27.0 %	(4.3)%

Other restaurant operating expenses decreased as a percentage of Restaurant sales during the thirteen weeks ended June 27, 2021 as compared to the thirteen weeks ended June 28, 2020 primarily due to: (i) 7.8% from leveraging increased restaurant sales, (ii) 3.3% from a decrease in off-premises related costs and (iii) 1.0% from lower advertising expense. These decreases were partially offset by increases as a percentage of Restaurant sales of 3.0% from higher operating and utilities expense and 0.3% from higher insurance costs.

Other restaurant operating expenses decreased as a percentage of Restaurant sales during the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 primarily due to: (i) 2.9% from leveraging increased restaurant sales, (ii) 1.7% from lower advertising expense and (iii) 0.3% from a decrease in off-premises related costs. These decreases were partially offset by an increase as a percentage of Restaurant sales of 0.6% from higher operating and utilities expense.

Subsequent to June 27, 2021, we entered into the Royalty Termination Agreement and made a cash payment of $61.9 million to the Carrabba's Founders. See Note 20 - *Subsequent Events* for additional details regarding the Royalty Termination Agreement. We recorded Carrabba's Italian Grill royalty expense of $2.7 million, $3.8 million and $6.6 million during the twenty-six weeks ended June 27, 2021, fiscal year 2020 and fiscal year 2019, respectively.

Depreciation and amortization

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Depreciation and amortization	$ 40.5	$ 45.8	$ (5.3)	$ 81.8	$ 94.1	$ (12.3)

Depreciation and amortization expense decreased during the thirteen weeks ended June 27, 2021 as compared to the thirteen weeks ended June 28, 2020 primarily due to impairment and decreased capital expenditures.

Depreciation and amortization expense decreased during the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 primarily due to impairment, decreased capital expenditures and the effect of foreign currency translation.

General and administrative

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

(dollars in millions)	THIRTEEN WEEKS ENDED	TWENTY-SIX WEEKS ENDED
For the periods ended June 28, 2020	$ 55.5	$ 140.3
Change from:		
Employee stock-based compensation	4.7	6.2
Incentive compensation	4.0	3.9
Deferred compensation	2.2	2.4
Expected credit losses and contingent lease liabilities	1.1	(6.5)
Travel and entertainment	0.9	(2.4)
Severance	(1.0)	(9.5)
Transformational costs	(2.3)	(7.6)
Other	1.4	(3.1)
For the periods ended June 27, 2021	$ 66.5	$ 123.7

Provision for impaired assets and restaurant closings

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	JUNE 27, 2021	JUNE 28, 2020	Change	JUNE 27, 2021	JUNE 28, 2020	Change
Provision for impaired assets and restaurant closings	$ 5.2	$ 25.0	$ (19.8)	$ 7.4	$ 66.3	$ (58.9)

During the thirteen and twenty-six weeks ended June 28, 2020, we recognized asset impairment and closure charges of $24.8 million and $56.5 million, respectively, within the U.S. segment, and $0.3 million and $3.6 million, respectively, within the international segment, primarily related to the COVID-19 pandemic. Included in the amount for the thirteen and twenty-six weeks ended June 28, 2020 were pre-tax asset impairments and closure costs of $20.9 million in connection with the closure of 22 restaurants and from the update of certain cash flow assumptions, including lease renewal considerations. We also recognized asset impairment charges related to transformational initiatives of $6.3 million during the twenty-six weeks ended June 28, 2020, which were not allocated to our operating segments.

The remaining impairment and closure charges during the periods presented resulted primarily from locations identified for relocation or closure.

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

Income (loss) from operations

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	JUNE 27, 2021	JUNE 28, 2020	Change	JUNE 27, 2021	JUNE 28, 2020	Change
Income (loss) from operations	$ 124.6	$ (111.9)	$ 236.5	$ 215.6	$ (153.5)	$ 369.1
% of Total revenues	11.6 %	(19.3)%	30.9 %	10.4 %	(9.7)%	20.1 %

Income from operations generated during the thirteen weeks ended June 27, 2021 as compared to Loss from operations during the thirteen weeks ended June 28, 2020 was primarily due to: (i) an increase in comparable restaurant sales, (ii) COVID-19 pandemic related asset impairment and closure charges during 2020, (iii) a decrease in off-premises related costs, (iv) lower advertising expense and (v) favorable court rulings in Brazil related to value-added taxes recorded in other revenues. These increases were partially offset by: (i) higher operating and utilities expense, (ii) the 2020 benefit of employee retention credits from relief pay, (iii) higher incentive compensation and (iv) higher management bonus.

Income from operations generated during the twenty-six weeks ended June 27, 2021 as compared to Loss from operations during the twenty-six weeks ended June 28, 2020 was primarily due to: (i) an increase in comparable restaurant sales, (ii) COVID-19 pandemic related charges during 2020, (iii) lower advertising expense, (iv) the 2020 impact of net relief pay, (v) the impact of restructuring and transformational initiatives during 2020 and (vi) the impact of certain cost savings initiatives. These increases were partially offset by additional: (i) management bonus, (ii) incentive compensation and (iii) operating and utilities expense.

Interest expense, net

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Interest expense, net	$ 15.0	$ 16.6	$ (1.6)	$ 29.6	$ 28.3	$ 1.3

The decrease in Interest expense, net for the thirteen weeks ended June 27, 2021 as compared to the thirteen weeks ended June 28, 2020 was primarily due to lower revolver borrowings and lower interest rates on our unhedged variable rate debt, partially offset by interest expense from our 2029 Notes issued in April 2021.

The increase in Interest expense, net for the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 was primarily due to interest expense from our 2025 Notes issued in May 2020 and our 2029 Notes issued in April 2021, partially offset by lower revolver borrowings and lower interest rates on our unhedged variable rate debt.

Provision (benefit) for income taxes

	THIRTEEN WEEKS ENDED			TWENTY-SIX WEEKS ENDED		
	JUNE 27, 2021	**JUNE 28, 2020**	**Change**	**JUNE 27, 2021**	**JUNE 28, 2020**	**Change**
Effective income tax rate	21.1 %	27.9 %	(6.8)%	15.9 %	30.4 %	(14.5)%

The effective income tax rate for the thirteen and twenty-six weeks ended June 27, 2021 decreased by 6.8 and 14.5 percentage points, respectively, as compared to the thirteen and twenty-six weeks ended June 28, 2020. These decreases were primarily due to the benefit of FICA tax credits on certain employees' tips reducing the effective tax rate in 2021 as a result of forecasted pre-tax book income as compared to increasing the effective tax rate in 2020 as a result of forecasted pre-tax book loss.

SEGMENT PERFORMANCE

We consider our restaurant concepts and international markets as operating segments, which reflects how we manage our business, review operating performance and allocate resources. Resources are allocated and performance is assessed by our CEO, whom we have determined to be our CODM. We aggregate our operating segments into two reportable segments, U.S. and international. The U.S. segment includes all restaurants operating in the U.S. while restaurants operating outside the U.S. are included in the international segment. The following is a summary of reporting segments:

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

(1) Includes franchise locations.

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

During the thirteen and twenty-six weeks ended June 28, 2020, we recorded $2.4 million and $24.6 million, respectively, of pre-tax charges as a part of transformational initiatives. These costs were primarily recorded within General and administrative expense and Provision for impaired assets and restaurant closings and were not allocated to our segments since our CODM does not consider the impact of transformational initiatives when assessing segment performance.

Refer to Note 19 - *Segment Reporting* of the Notes to Consolidated Financial Statements for reconciliations of segment income (loss) from operations to the consolidated operating results.

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

U.S. Segment

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Revenues				
Restaurant sales	$ 990,293	$ 536,767	$ 1,890,352	$ 1,421,656
Franchise and other revenues	12,765	313	17,624	9,921
Total revenues	$ 1,003,058	$ 537,080	$ 1,907,976	$ 1,431,577
Restaurant-level operating margin	21.7 %	3.2 %	20.5 %	8.4 %
Income (loss) from operations	$ 165,297	$ (62,921)	$ 287,032	$ (51,542)
Operating income (loss) margin	16.5 %	(11.7)%	15.0 %	(3.6)%

Restaurant sales

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

(dollars in millions)	THIRTEEN WEEKS ENDED	TWENTY-SIX WEEKS ENDED
For the periods ended June 28, 2020	$ 536.8	$ 1,421.7
Change from:		
Comparable restaurant sales	453.0	481.4
Restaurant openings	7.4	12.7
Restaurant closures	(6.9)	(25.4)
For the periods ended June 27, 2021	$ 990.3	$ 1,890.4

The increase in U.S. Restaurant sales during the thirteen weeks ended June 27, 2021 was primarily due to higher comparable restaurant sales from in-restaurant dining and strong retention of off-premises sales and the opening of 11 new restaurants not included in our comparable restaurant sales base. The increase in U.S. Restaurant sales was partially offset by the closure of 33 restaurants since March 29, 2020.

The increase in U.S. Restaurant sales during the twenty-six weeks ended June 27, 2021 was primarily due to higher comparable restaurant sales from in-restaurant dining and strong retention of off-premises sales and the opening of 11 new restaurants not included in our comparable restaurant sales base. The increase in U.S. Restaurant sales was partially offset by the closure of 38 restaurants since December 29, 2019.

Income (loss) from operations

U.S. Income from operations generated during the thirteen weeks ended June 27, 2021 as compared to Loss from operations during the thirteen weeks ended June 28, 2020 was primarily due to: (i) an increase in comparable restaurant sales, (ii) COVID-19 pandemic related asset impairment and closure charges during 2020, (iii) a decrease in off-premises related costs and (iv) lower advertising expense. These increases were partially offset by: (i) higher operating and utilities expense, (ii) the 2020 benefit of employee retention credits from relief pay, (iii) higher management bonus and (iv) higher incentive compensation.

U.S. Income from operations generated during the twenty-six weeks ended June 27, 2021 as compared to Loss from operations during the twenty-six weeks ended June 28, 2020 was primarily due to: (i) an increase in comparable restaurant sales, (ii) COVID-19 pandemic related charges during 2020, (iii) lower advertising expense, (iv) net relief pay in 2020 and (v) the impact of certain cost savings initiatives. These increases were partially offset by higher management bonus and higher operating and utilities expense.

International Segment

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	JUNE 27, 2021	JUNE 28, 2020	JUNE 27, 2021	JUNE 28, 2020
Revenues				
Restaurant sales	$ 64,934	$ 39,494	$ 144,326	$ 150,842
Franchise and other revenues	9,374	1,885	12,537	4,377
Total revenues	$ 74,308	$ 41,379	$ 156,863	$ 155,219
Restaurant-level operating margin	3.2 %	(21.8)%	9.3 %	8.0 %
Income (loss) from operations	$ 2,470	$ (17,070)	$ 6,007	$ (10,283)
Operating income (loss) margin	3.3 %	(41.3)%	3.8 %	(6.6)%

Restaurant sales

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

(dollars in millions)	THIRTEEN WEEKS ENDED	TWENTY-SIX WEEKS ENDED
For the periods ended June 28, 2020	$ 39.5	$ 150.8
Change from:		
Comparable restaurant sales	20.5	(1.8)
Restaurant openings	6.2	13.9
Effect of foreign currency translation	(1.0)	(18.0)
Restaurant closures	(0.3)	(0.6)
For the periods ended June 27, 2021	$ 64.9	$ 144.3

The increase in international Restaurant sales during the thirteen weeks ended June 27, 2021 was primarily due to higher comparable restaurant sales principally attributable to the impact of the COVID-19 pandemic on fiscal year 2020 international Restaurant sales and the opening of 21 new restaurants not included in our comparable restaurant sales base.

The decrease in international Restaurant sales during the twenty-six weeks ended June 27, 2021 was primarily due to the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar partially offset by the opening of 24 new restaurants not included in our comparable restaurant sales base.

Income (loss) from operations

International Income from operations generated during the thirteen weeks ended June 27, 2021, as compared to Loss from operations during the thirteen weeks ended June 28, 2020, was primarily due to: (i) higher restaurant sales due to the reopening of restaurant dining rooms and increases in average check per person, (ii) favorable court rulings in Brazil related to value-added taxes recorded in other revenues and (iii) a decrease in off-premises related costs. These increases were partially offset by additional: (i) utilities, rent and operating expense, (ii) higher labor costs and (iii) commodity inflation.

International Income from operations generated during the twenty-six weeks ended June 27, 2021, as compared to Loss from operations during the twenty-six weeks ended June 28, 2020, was primarily due to: (i) higher restaurant sales from increases in average check per person and the reopening of restaurant dining rooms, (ii) lower labor costs and (iii) favorable court rulings in Brazil related to value-added taxes recorded in other revenues. These increases were partially offset by additional: (i) commodity inflation, (ii) utilities and operating expense and (iii) incremental off-premises related costs.

Non-GAAP Financial Measures

System-Wide Sales - System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. Management uses this information to make decisions about future plans for the development of additional restaurants and new concepts, as well as evaluation of current operations. System-wide sales comprise sales of Company-owned and franchised restaurants. For a summary of sales of Company-owned restaurants, refer to Note 3 - *Revenue Recognition* of the Notes to Consolidated Financial Statements.

The following table provides a summary of sales of franchised restaurants for the periods indicated, which are not included in our consolidated financial results. Franchise sales within this table do not represent our sales and are presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant concepts and in determining our royalties and/or service fees.

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in millions)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
U.S.				
Outback Steakhouse	$ 119	$ 58	$ 211	$ 174
Carrabba's Italian Grill	12	6	22	17
Bonefish Grill	3	1	5	4
U.S. total	134	65	238	195
International				
Outback Steakhouse-South Korea	72	56	146	110
Other	27	4	51	26
International total	99	60	197	136
Total franchise sales (1)	$ 233	$ 125	$ 435	$ 331

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

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

Consolidated	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Income (loss) from operations	$ 124,637	$ (111,912)	$ 215,635	$ (153,480)
Operating income (loss) margin	11.6 %	(19.3)%	10.4 %	(9.7)%
Less:				
Franchise and other revenues	22,139	2,198	30,161	14,298
Plus:				
Depreciation and amortization	40,539	45,784	81,765	94,052
General and administrative	66,462	55,487	123,710	140,289
Provision for impaired assets and restaurant closings	5,177	24,959	7,377	66,277
Restaurant-level operating income	$ 214,676	$ 12,120	$ 398,326	$ 132,840
Restaurant-level operating margin	20.3 %	2.1 %	19.6 %	8.4 %

U.S.	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Income (loss) from operations	$ 165,297	$ (62,921)	$ 287,032	$ (51,542)
Operating income (loss) margin	16.5 %	(11.7)%	15.0 %	(3.6)%
Less:				
Franchise and other revenues	12,765	313	17,624	9,921
Plus:				
Depreciation and amortization	33,579	37,308	67,224	74,948
General and administrative	22,953	18,343	44,045	49,223
Provision for impaired assets and restaurant closings	5,676	24,781	7,139	56,475
Restaurant-level operating income	$ 214,740	$ 17,198	$ 387,816	$ 119,183
Restaurant-level operating margin	21.7 %	3.2 %	20.5 %	8.4 %

International	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Income (loss) from operations	$ 2,470	$ (17,070)	$ 6,007	$ (10,283)
Operating income (loss) margin	3.3 %	(41.3)%	3.8 %	(6.6)%
Less:				
Franchise and other revenues	9,374	1,885	12,537	4,377
Plus:				
Depreciation and amortization	5,565	5,884	11,285	12,642
General and administrative	4,116	4,146	8,721	10,402
Provision for impaired assets and restaurant closings	(708)	296	(1)	3,640
Restaurant-level operating income (loss)	$ 2,069	$ (8,629)	$ 13,475	$ 12,024
Restaurant-level operating margin	3.2 %	(21.8)%	9.3 %	8.0 %

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

	THIRTEEN WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
	REPORTED	ADJUSTED	REPORTED	ADJUSTED (1)
Restaurant sales	100.0 %	100.0 %	100.0 %	100.0 %
Food and beverage costs	29.6 %	29.6 %	31.4 %	31.2 %
Labor and other related	28.0 %	28.0 %	35.7 %	35.7 %
Other restaurant operating	22.1 %	22.1 %	30.9 %	30.4 %
Restaurant-level operating margin	20.3 %	20.3 %	2.1 %	2.7 %

	TWENTY-SIX WEEKS ENDED			
	JUNE 27, 2021		JUNE 28, 2020	
	REPORTED	ADJUSTED	REPORTED	ADJUSTED (1)
Restaurant sales	100.0 %	100.0 %	100.0 %	100.0 %
Food and beverage costs	29.7 %	29.7 %	31.8 %	31.4 %
Labor and other related	28.0 %	28.0 %	32.7 %	32.7 %
Other restaurant operating	22.7 %	22.7 %	27.0 %	27.0 %
Restaurant-level operating margin	19.6 %	19.6 %	8.4 %	8.9 %

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

(dollars in millions)	THIRTEEN WEEKS ENDED JUNE 28, 2020	TWENTY-SIX WEEKS ENDED JUNE 28, 2020
COVID-19 related costs (1)	$ (3.7)	$ (9.9)
Restaurant relocations, asset impairments and closing costs	—	2.7
	$ (3.7)	$ (7.2)

(1) Includes $1.2 million and $7.3 million of adjustments for the thirteen and twenty-six weeks ended June 28, 2020, respectively, recorded in Food and beverage costs.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
(in thousands, except per share data)	**JUNE 27, 2021**	**JUNE 28, 2020**	**JUNE 27, 2021**	**JUNE 28, 2020**
Income (loss) from operations	$ 124,637	$ (111,912)	$ 215,635	$ (153,480)
Operating income (loss) margin	11.6 %	(19.3)%	10.4 %	(9.7)%
Adjustments:				
Legal and other matters (1)	(6,337)	—	(6,337)	178
COVID-19-related costs (2)	—	30,342	—	79,218
Severance and other transformational costs (3)	—	2,415	—	24,647
Restaurant relocations, asset impairments and closing costs (4)	—	—	—	(2,205)
Total income (loss) from operations adjustments	(6,337)	32,757	(6,337)	101,838
Adjusted income (loss) from operations	$ 118,300	$ (79,155)	$ 209,298	$ (51,642)
Adjusted operating income (loss) margin	11.0 %	(13.7)%	10.2 %	(3.3)%
Diluted net income (loss) attributable to common stockholders	$ 82,545	$ (92,256)	$ 152,098	$ (130,363)
Convertible senior notes if-converted method interest adjustment, net of tax (5)	—	—	691	—
Net income (loss) attributable to common stockholders	82,545	(92,256)	151,407	(130,363)
Adjustments:				
Income (loss) from operations adjustments	(6,337)	32,757	(6,337)	101,838
Loss on extinguishment and modification of debt	2,073	—	2,073	—
Amortization of debt discount (6)	—	1,379	—	1,379
Total adjustments, before income taxes	(4,264)	34,136	(4,264)	103,217
Adjustment to provision for income taxes (7)	1,243	(6,474)	1,243	(28,469)
Redemption of preferred stock in excess of carrying value (8)	—	—	—	3,496
Net adjustments	(3,021)	27,662	(3,021)	78,244
Adjusted net income (loss)	$ 79,524	$ (64,594)	$ 148,386	$ (52,119)
Diluted earnings (loss) per share attributable to common stockholders (9)	$ 0.75	$ (1.05)	$ 1.38	$ (1.49)
Adjusted diluted earnings (loss) per share (9)(10)	$ 0.81	$ (0.74)	$ 1.53	$ (0.60)
Diluted weighted average common shares outstanding (9)	109,805	87,496	110,223	87,312
Adjusted diluted weighted average common shares outstanding (9)(10)	98,574	87,496	97,011	87,312

(1) The thirteen and twenty-six weeks ended June 27, 2021 includes the recognition of recoverable PIS and COFINS taxes, including accrued interest, within other revenues as a result of favorable court rulings in Brazil during the second quarter of 2021.
(2) Costs incurred in connection with the COVID-19 pandemic, primarily consisting of fixed asset and right-of-use asset impairments, restructuring charges, inventory obsolescence and spoilage, contingent lease liabilities and current expected credit losses. See Note 2 - *COVID-19 Charges* of the Notes to Consolidated Financial Statements for additional details regarding the impact of certain COVID-19 pandemic related charges on our financial results.
(3) Severance, professional fees and other costs incurred as a result of transformational and restructuring activities.
(4) Includes asset impairment charges and accelerated depreciation incurred in connection with our relocation program and a lease termination gain of $2.8 million.
(5) Adjustment for interest expense related to the 2025 Notes weighted for the portion of the period prior to our election under the 2025 Notes indenture to settle the principal portion of our 2025 Notes in cash. The calculation of adjusted diluted earnings per share excludes 2025 Notes interest adjustment.
(6) Amortization of the debt discount related to the issuance of the 2025 Notes. See Note 10 - *Convertible Senior Notes* of the Notes to Consolidated Financial Statements for details.
(7) Income tax effect of the adjustments for the periods presented.
(8) Consideration paid in excess of the carrying value for the redemption of preferred stock of our Abbraccio subsidiary.

(9) Due to the GAAP net loss, the effect of dilutive securities was excluded from the calculation of GAAP diluted loss per share for the thirteen and twenty-six weeks ended June 28, 2020.

(10) For the twenty-six weeks ended June 27, 2021, adjusted diluted weighted average common shares outstanding was calculated assuming our February 2021 election to settle the principal portion of the 2025 Notes in cash was in effect for the entire period. For the thirteen and twenty-six weeks ended June 27, 2021, adjusted diluted weighted average common shares outstanding was calculated excluding the dilutive effect of 11,231 and 10,442 shares, respectively, to be issued upon conversion of the 2025 Notes to satisfy the amount in excess of the principal since the Convertible Note Hedge Transactions offset the dilutive impact of the shares underlying the 2025 Notes.

Liquidity and Capital Resources

LIQUIDITY

Cash flows generated from operating activities and availability under our revolving credit facility are our principal sources of liquidity, which we use for operating expenses, payments on our debt, remodeling or relocating older restaurants, obligations related to our deferred compensation plans and investment in technology.

Cash and Cash Equivalents - As of June 27, 2021, we had $101.3 million in cash and cash equivalents, of which $35.0 million was held by foreign affiliates. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit repatriation.

As of June 27, 2021, we had aggregate accumulated foreign earnings of approximately $38.8 million. This amount consisted primarily of historical earnings from 2017 and prior that were previously taxed in the U.S. under the 2017 Tax Cuts and Jobs Act and post-2017 foreign earnings, which we may repatriate to the U.S. without additional U.S. federal income tax. These amounts are no longer considered indefinitely reinvested in our foreign subsidiaries.

Capital Expenditures - We estimate that our capital expenditures will total approximately $140 million to $150 million in 2021. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including raw material constraints and restrictions imposed by our borrowing arrangements. Under the Second Amended and Restated Credit Agreement, we are limited to $200.0 million of aggregate capital expenditures during the year ended December 26, 2021.

Credit Facilities - Following is a summary of our outstanding credit facilities as of the dates indicated and principal payments and debt issuance during the period indicated:

	SENIOR SECURED CREDIT FACILITY		FORMER CREDIT FACILITY				
(dollars in thousands)	**TERM LOAN A**	**REVOLVING FACILITY**	**TERM LOAN A**	**REVOLVING FACILITY**	**2025 NOTES**	**2029 NOTES**	**TOTAL CREDIT FACILITIES**
Balance as of December 27, 2020	$ —	$ —	$ 425,000	$ 447,000	$ 230,000	$ —	$ 1,102,000
2021 new debt	200,000	271,000	—	15,000	—	300,000	786,000
2021 payments	—	(137,000)	(425,000)	(462,000)	—	—	(1,024,000)
Balance as of June 27, 2021	$ 200,000	$ 134,000	$ —	$ —	$ 230,000	$ 300,000	$ 864,000
Weighted-average interest rate, as of June 27, 2021	2.59 %	2.59 %			5.00 %	5.13 %	
Principal maturity date	April 2026	April 2026			May 2025	April 2029	

As of June 27, 2021, we had $645.3 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of $20.7 million.

On August 2, 2021, we made a cash payment of $61.9 million to the Carrabba's Founders in connection with the Royalty Termination Agreement detailed in Note 20 - *Subsequent Events.* This cash payment was funded primarily by borrowings on our revolving credit facility and the remainder from cash on hand.

2029 Notes - On April 16, 2021, we issued $300.0 million aggregate principal amount of senior unsecured notes due 2029. The 2029 Notes will mature on April 15, 2029, unless earlier redeemed or purchased by us. The 2029 Notes bear cash interest at an annual rate of 5.125% payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021.

The net proceeds from the 2029 Notes were approximately $294.5 million, after deducting the initial purchaser's discount and our offering expenses. The net proceeds were used to repay a portion of our outstanding Term loan A and revolving credit facility in conjunction with the refinancing of our Former Credit Facility.

Second Amended and Restated Credit Agreement - On April 16, 2021, we and OSI, as co-borrowers, entered into the Second Amended and Restated Credit Agreement which provides for senior secured financing of up to $1.0 billion consisting of a $200.0 million Term loan A and an $800.0 million revolving credit facility. The Senior Secured Credit Facility matures on April 16, 2026 and replaced our Former Credit Facility financing of up to $1.5 billion.

The Second Amended and Restated Credit Agreement limits, subject to certain exceptions, our ability and the ability of our subsidiaries to: incur additional indebtedness; make significant payments; sell assets; pay dividends and other restricted payments; make certain investments; acquire certain assets; effect mergers and similar transactions; and effect certain other transactions with affiliates. The Second Amended and Restated Credit Agreement also prohibits us from paying certain dividends and making certain restricted payments and acquisitions until we are in compliance with our TNLR covenant for the period ended September 26, 2021.

Our Senior Secured Credit Facility contains mandatory prepayment requirements for Term loan A, including the requirement that we prepay outstanding amounts under these loans with 50% of our annual excess cash flow, as defined in the Second Amended and Restated Credit Agreement, commencing with the fiscal year ending December 25, 2022. The amount of outstanding loans required to be prepaid in accordance with the debt covenants may vary based on our CSSNLR and year end results. Other than the annual required minimum amortization premiums of $10.0 million, we do not anticipate any other payments will be required through June 26, 2022.

See Note 9 - *Long-term Debt, Net* for additional details regarding the 2029 Notes and Second Amended and Restated Credit Agreement.

As of June 27, 2021 and December 27, 2020, we were in compliance with our debt covenants. We believe that we will remain in compliance with our debt covenants during the next 12 months.

SUMMARY OF CASH FLOWS

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

	TWENTY-SIX WEEKS ENDED	
(dollars in thousands)	**JUNE 27, 2021**	**JUNE 28, 2020**
Net cash provided by (used in) operating activities	$ 283,182	$ (3,313)
Net cash used in investing activities	(42,625)	(48,001)
Net cash (used in) provided by financing activities	(248,018)	169,655
Effect of exchange rate changes on cash and cash equivalents	128	(2,955)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (7,333)	$ 115,386

Operating activities - Net cash provided by operating activities during the twenty-six weeks ended June 27, 2021, as compared to net cash used in operating activities during the twenty-six weeks ended June 28, 2020, was primarily due to: (i) an increase in restaurant-level operating margin, (ii) timing of operational receipts and payments and (iii) a decrease in relief pay primarily due to the reopening of our restaurant dining rooms. These increases were partially offset by: (i) timing of collections of gift card receivables, (ii) deferral of payroll tax payments in 2020 as a result of the CARES Act, (iii) lower utilization of inventory on hand and (iv) cash paid to terminate interest rate swap agreements.

Investing activities - The decrease in net cash used in investing activities during the twenty-six weeks ended June 27, 2021 as compared to the twenty-six weeks ended June 28, 2020 was primarily due to higher proceeds from the disposal of property, fixtures and equipment and lower capital expenditures.

Financing activities - Net cash used in financing activities during the twenty-six weeks ended June 27, 2021, as compared to net cash provided by financing activities during the twenty-six weeks ended June 28, 2020, was primarily due to: (i) net repayments on our revolving credit facility during 2021 as compared to net borrowings during 2020, (ii) proceeds from the issuance of the 2025 Notes and related warrants during 2020 and (iii) net repayment of our Term loan A in conjunction with the refinance of our Senior Secured Credit Facility. These decreases were partially offset by: (i) proceeds from the issuance of the 2029 Notes, (ii) premium payments for Convertible Note Hedge Transactions during 2020, (iii) payment of cash dividends on our common stock during 2020 and (iv) proceeds from the exercise of stock-based compensation during 2021 as compared to payment of taxes from the exercise of stock-based compensation during 2020.

FINANCIAL CONDITION

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

(dollars in thousands)	**JUNE 27, 2021**	**DECEMBER 27, 2020**
Current assets	$ 247,063	$ 323,854
Current liabilities	913,456	950,104
Working capital (deficit)	$ (666,393)	$ (626,250)

Working capital (deficit) includes: (i) Unearned revenue primarily from unredeemed gift cards of $303.0 million and $381.6 million as of June 27, 2021 and December 27, 2020, respectively, and (ii) current operating lease liabilities of $177.8 million and $176.8 million as of June 27, 2021 and December 27, 2020, respectively, with the corresponding operating right-of-use assets recorded as non-current on our Consolidated Balance Sheets. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales are typically received before payment is due on our current liabilities, and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are typically used to service debt obligations and to make capital expenditures.

Deferred Compensation Programs - The deferred compensation obligation due to managing and chef partners was $21.3 million and $28.1 million as of June 27, 2021 and December 27, 2020, 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 obligation for managing and chef partners' deferred compensation was fully funded as of June 27, 2021.

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

DIVIDENDS AND SHARE REPURCHASES

We did not pay dividends or repurchase any shares of our outstanding common stock during the thirteen weeks ended June 27, 2021. The terms of our Second Amended and Restated Credit Agreement contain certain restrictions on cash dividends and share repurchases until after TNLR covenant compliance is met for the period ending September 26, 2021.

Following is a summary of our dividends and share repurchases from fiscal year 2015 through June 27, 2021:

(dollars in thousands)	DIVIDENDS PAID	SHARE REPURCHASES	TOTAL
Fiscal year 2015	$ 29,332	$ 169,999	$ 199,331
Fiscal year 2016	31,379	309,887	341,266
Fiscal year 2017	30,988	272,736	303,724
Fiscal year 2018	33,312	113,967	147,279
Fiscal year 2019	35,734	106,992	142,726
Fiscal year 2020	17,480	—	17,480
First fiscal quarter 2021	—	—	—
Second fiscal quarter 2021	—	—	—
Total	$ 178,225	$ 973,581	$ 1,151,806

Recently Issued Financial Accounting Standards

For a description of recently issued Financial Accounting Standards that we adopted during the twenty-six weeks ended June 27, 2021 and, that are applicable to us and likely to have material effect on our consolidated financial statements, but have not yet been adopted, see Note 1 - *Description of the Business and Basis of Presentation* of the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, changes in foreign currency exchange rates and changes in commodity prices. We believe that there have been no material changes in our market risk since December 27, 2020, except as set forth below. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended December 27, 2020 for further information regarding market risk.

Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange risk for our restaurants operating in foreign countries. Our exposure to foreign currency exchange risk is primarily related to fluctuations in the Brazilian Real relative to the U.S. dollar. Our operations in other markets consist of Company-owned restaurants on a smaller scale than Brazil. If foreign currency exchange rates depreciate in the countries in which we operate, we may experience declines in our operating results. For the twenty-six weeks ended June 27, 2021, a 10% change in average foreign currency rates against the U.S. dollar would have increased or decreased our Total revenues for our consolidated foreign entities by $16.8 million. The 10% change would not have had a material effect on Net income. Currently, we do not enter into currency forward exchange or option contracts to hedge foreign currency exposures.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 27, 2021.

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 27, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 18 - *Commitments and Contingencies* of the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2020 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 2020 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 thirteen weeks ended June 27, 2021 that were not registered under the Securities Act of 1933.

We did not repurchase any shares of our outstanding common stock during the thirteen weeks ended June 27, 2021.

Item 5. Other Information

2021 Short-Term Incentive Plan ("STIP")

As previously disclosed, the Compensation Committee of the Board of Directors of the Company (the "Committee") implemented a qualitative bonus design for the first-half of fiscal 2021, with an intention to implement a formal set of financial and/or strategic goals for the second-half of fiscal 2021 due to the uncertainty caused by the COVID-19 pandemic. The Committee's qualitative review of the first-half reflects a strong emphasis on relative performance as compared to key competitors and will be based on the Company's performance in navigating and recovering from the COVID-19 pandemic, the Company's relative performance on year-over-year comparable sales growth when compared to casual dining competitors, and the Company's progress on continued sustainable savings targets set for 2021. The first-half payout will be capped at 50% of the aggregate annual target amount, with the full amount earned if target performance is achieved.

On August 2, 2021, the Committee established the goals for the second half of fiscal 2021 and determined that it was appropriate to return to the metrics established under the Company's pre-COVID STIP design, which was previously disclosed in the Company's Proxy Statements on Schedule 14A filed on April 9, 2020 and March 30, 2021, and approved the following:

2021 Second-Half Metric	Weight
Adjusted Revenue Growth (2-year basis)	40%
Adjusted Operating Margin Expansion (2-year basis)	40%
Strategic Objective – Cost Savings	20%

The second-half payout will be capped at 100% of the aggregate annual target amount (100% of the second-half payout will be earned if target metrics are achieved and 200% of the second-half payout will be earned if maximum metrics are achieved). The full-year payout will be capped at 150% of the aggregate annual target amount. The 2021 STIP design, including the second-half metrics and weighting approved by the Committee, reflects the Company's continued commitment to following a performance-based incentive compensation strategy and positions the Company for success in the second-half of fiscal 2021 and in the long-term. The Committee will evaluate the results of the 2021 STIP following completion of fiscal 2021, and as in all performance years, may apply positive or negative discretion in approving the final STIP payout.

Carrabba's Italian Grill Purchase and Sale of Royalty Payment Stream and Termination of Royalty Agreement

On August 2, 2021, Carrabba's Italian Grill, LLC ("CIG") and OSI Restaurant Partners, LLC ("OSI"), both of which are indirect, wholly-owned subsidiaries of the Company, entered into the Purchase and Sale of Royalty Payment Stream and Termination of Royalty Agreement (the "Royalty Termination Agreement") by and among CIG, OSI, Mangia Beve, Inc. ("MBI"), Mangia Beve II, Inc. ("MBI II"), Original, Inc. ("Original"), Voss, Inc. ("Voss"), John C. Carrabba, III, ("Johnny Carrabba"), Damian C. Mandola ("Damian Mandola") and John C. Carrabba, Jr. ("John C. Carrabba, Jr.", and together with MBI, MBI II, Original, Voss, Johnny Carrabba, and Damian Mandola, the "Carrabba's Founders").

Pursuant to the Royalty Termination Agreement, the Royalty Agreement, dated April 1995, by and among CIG, OSI and the Carrabba's Founders, as amended, and CIG's obligation to pay future royalties on U.S. Carrabba's Italian Grill restaurant sales and lump sum royalty fees on Carrabba's Italian Grill restaurants opened outside the U.S. was terminated as of August 2, 2021. In addition, the Royalty Termination Agreement provides that each of CIG and the Carrabba's Founders will accept and redeem Carrabba's gift cards of the other party consistent with past practices and subject to certain conditions, confirms and acknowledges CIG's sole and exclusive ownership of all intellectual property related to the Carrabba's Italian Grill restaurant concept, and gives CIG a right of first refusal to acquire the two original Carrabba's restaurants owned and operated by the Carrabba's Founders subject to certain conditions and exceptions. CIG agreed to pay the Carrabba's Founders Sixty-One Million Eight Hundred and Eighty Thousand Dollars (USD $61,880,000) in consideration of the Carrabba's Founders' entry into the Royalty Termination Agreement.

The foregoing summary of the Royalty Termination Agreement does not purport to be complete and is qualified in its entirety by the full text of the Royalty Termination Agreement, a copy of which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Item 6. Exhibits

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS	FILINGS REFERENCED FOR INCORPORATION BY REFERENCE
3.1	Third Amended and Restated Certificate of Incorporation	May 19, 2021 Form 8-K, Exhibit 3.1
4.1	Indenture, dated as of April 16, 2021, by and among Bloomin' Brands, Inc., OSI Restaurant Partners, LLC, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee	April 20, 2021 Form 8-K, Exhibit 4.1
4.2	Form of 5.125% Senior Notes due 2029	April 20, 2021 Form 8-K, Included as Exhibit A to Exhibit 4.1
10.1	Second Amended and Restated Credit Agreement, dated April 16, 2021, by and among Bloomin' Brands, Inc., OSI Restaurant Partners, LLC, the guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative Agent	April 20, 2021 Form 8-K, Exhibit 10.1
10.2	Purchase and Sale of Royalty Payment Stream and Termination of Royalty Agreement dated August 2, 2021 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
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)	Furnished herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith

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

BLOOMIN' BRANDS, INC.

SIGNATURE

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

Date: August 5, 2021	BLOOMIN' BRANDS, INC. (Registrant)
	By: /s/ Christopher Meyer
	Christopher Meyer Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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Exhibit 10.2

PURCHASE AND SALE OF ROYALTY PAYMENT STREAM AND TERMINATION OF ROYALTY AGREEMENT

THIS PURCHASE AND SALE OF ROYALTY PAYMENT STREAM AND TERMINATION OF ROYALTY AGREEMENT ("Agreement") is effective as of August 2, 2021 (the "Effective Date"), regardless of the actual date of signature, by and among CARRABBA'S ITALIAN GRILL, LLC (formerly 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 (formerly OSI Restaurant Partners, Inc., formerly Outback Steakhouse, 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 located at 3131 Argonne Street, Houston, Texas, 77098 ("MBI"), Mangia Beve II, Inc., a Texas corporation having its principal office located at 3131 Argonne Street, Houston, Texas 77098 ("MBI2"), Original, Inc. (formerly Carrabba, Inc.), a Texas corporation having its principal office located at 3131 Argonne Street, Houston, Texas 77098 ("CI"), Voss, Inc. (formerly Carrabba Woodway, Inc.), a Texas corporation having its principal office located 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 Carrabba, Jr."). CIGI, OSI and Founders (as defined below) are referred to collectively as the "parties" or sometimes separately as a "party." Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given to such terms in the Royalty Agreement.

RECITALS

WHEREAS, CIGI, OSI and Founders are parties to that certain Royalty Agreement dated as of April, 1995, as amended by that certain First Amendment to Royalty Agreement dated January, 1997, that certain Second Amendment to Royalty Agreement dated April 7, 2010, that certain Third Amendment to Royalty Agreement dated June 1, 2014, and that certain Fourth Amendment to Royalty Agreement dated May 1, 2017 (collectively, the "Royalty Agreement");

WHEREAS, the Royalty Agreement assigned and transferred to CIGI full and absolute ownership, right, title and interests in and to the System and Proprietary Marks (as those terms are defined below) relating to the Carrabba's Italian Grill® restaurant concept, including all elements, characteristics and property thereof and all goodwill associated therewith (collectively, the "Carrabba's IP");

WHEREAS, the Founders own and operate the original Carrabba's restaurant located at 3115 Kirby Drive, Houston, Texas 77098 (including any alternative [but not additional] address approved by CIGI in accordance with this Agreement, the "Kirby Restaurant") and a second Carrabba's restaurant located at 1399 South Voss Rd., Houston, Texas 77057 (including any alternative [but not additional] address approved by CIGI in accordance with this Agreement, the "Voss Restaurant" and, together with the Kirby Restaurant, referred to herein as the "Original Restaurants"), which have been in operation since 1986 and 1988, respectively;

WHEREAS, as of the Effective Date, there are no existing or effective partnership, joint venture, license or franchise agreements, oral or written, between CIGI or OSI, on the one hand, and Founders, or any of them, on the other hand, or between the parties' respective Affiliates, related to any Restaurants, all such agreements and arrangements contemplated by or referred to in the Royalty Agreement, or otherwise, having been heretofore terminated, except for certain rights granted to CI and CWI, respectively, for the operation of the Original Restaurants, as further described herein below;

AND, WHEREAS, after negotiations, the Founders desire to sell all of their right, title and interest in and to the future stream of royalty payments provided for in the Royalty Agreement (the "Royalty Payment Stream") and CIGI desires to purchase the Royalty Payment Stream, with the result being the termination of the Royalty Agreement on the terms and conditions described in this Agreement. The parties have sought and received advice of counsel and enter into this Agreement freely.

NOW, THEREFORE, in consideration of these premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

OPERATIVE TERMS

1. **Definitions**. For purposes of this Agreement, the following definitions shall apply:

a) "Affiliate" shall mean a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another.

b) "BBI Entities" shall mean each of CIGI and OSI, individually and collectively, and their Affiliates, successors and permitted assigns.

c) "Brand Gift Cards" shall mean any gift certificates, gift cards, stored value cards, bonus cards or similar cards issued by or on behalf of CIGI or its Affiliate, whether prior to or after the Effective Date of this Agreement, and redeemable at Carrabba's Italian Grill® restaurants, whether owned and operated by CIGI, its Affiliates, or its other licensees/franchisees.

d) "Founder Gift Cards" shall mean any gift certificates, gift cards, stored value cards, bonus cards or similar cards issued by or on behalf of CI or CWI, whether prior to or after the Effective Date of this Agreement, and redeemable at the Original Restaurants.

e) "Founders" shall mean each of MBI, MBI2, CI, CWI, Johnny Carrabba, Damian Mandola and John Carrabba, Jr., individually and collectively, jointly and severally, and their Affiliates, heirs, administrators, representatives, successors and permitted assigns.

f) "Licensed Marks" shall mean the Proprietary Marks, excluding the "Abbraccio" trade name and service mark and other trademarks, trade names, service marks, logos, emblems and other indicia of origin that CIGI (or its Affiliates) now or hereafter designates for use in connection with the System for Restaurants located outside of the U.S. (collectively, the "Excluded Marks").

g) "Net Sales" shall means all revenue from sales conducted upon or from the restaurant, whether from check, cash, credit, charge account, debit account, exchange, trade credit, other credit transactions, barter or otherwise, including, without limitation, any implied or imputed Net Sales from any business interruption insurance, but excluding (i) sales for which cash has been refunded, if those sales were previously included in Net Sales; (ii) federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority; and (iii) the face value of coupons or discounts that customers redeem.

h) “Proprietary Marks” shall mean, collectively and individually, the trade name and service mark “Carrabba’s Italian Grill” and all other trademarks, trade names, service marks, logos, emblems and other indicia of origin used to identify the System, together with all goodwill associated with any of the foregoing, all as are now or hereafter designated by CIGI for use in connection with the System.

i) “System” shall mean the Carrabba’s Italian Grill® restaurant concept and system and all elements, characteristics and properties thereof, including, without limitation, recipes and menu items; distinctive motif, design, décor and furnishings; equipment and signage; trade dress, the Proprietary Marks, trade secrets, know-how and other intellectual property; uniform standards, specifications and procedures for operations, quality and uniformity of products and services offered; procedures for inventory and management control; training and assistance; guest experience technology and programs; marketing, advertising and promotional programs; together with all goodwill associated therewith; all of which may from time to time be changed, improved and further developed by CIGI.

2. **Purchase and Sale of Royalty Payment Stream and Termination of Royalty Agreement**. Subject to payment of the Royalty Stream Purchase Price as provided in Section 3 and the GC Payments in Section 4 below, MBI2 hereby sells to CIGI all of its right, title and interest in and to the Royalty Payment Stream and CIGI herby purchases all of MBI2’s right, title and interest in and to the Royalty Payment Stream, and the Royalty Agreement is hereby terminated as of the Effective Date. Accordingly, as of the Effective Date, all provisions of the Royalty Agreement will be of no further force of effect, except for the confidentiality obligations and post-term restrictive covenants in Article 5 of the Royalty Agreement which are incorporated into this Agreement by this reference. In connection with the foregoing, each of the Founders covenant and agree that MBI2 holds all rights to receive the Royalty Payment Stream, that MBI2 has the sole right to sell and assign the Royalty Payment Stream and that none of the other Founders, or any other parties, have any such rights.

3. **Royalty Payment Stream Purchase**. CIGI shall pay to MBI2 an aggregate amount equal to Sixty-One Million Dollars ($61,000,000) (the “Royalty Payment Stream Purchase Price”). The Royalty Payment Stream Purchase Price shall be paid on the Effective Date by wire transfer to a bank account designated by MBI2. As of the Effective Date, all royalty obligations under Article III of the Royalty Agreement (whether for U.S. Restaurants, international Restaurants, product sales or otherwise, and whether operating under the name “Carrabba’s,” “Abbraccio” or other Proprietary Marks) shall be deemed fully satisfied and extinguished, except that CIGI shall pay monthly royalties accrued for U.S. Restaurants for periods (including a partial month period) prior to the Effective Date of this Agreement, which shall be paid within thirty (30) days from such Effective Date. “U.S. Restaurants” shall mean Carrabba’s Italian Grill® Restaurants located in the U.S.

4. **GC Payments**. On the Effective Date, in addition to the Royalty Payment Stream Purchase Price, CIGI shall pay (i) to CI an aggregate amount equal to Four Hundred Forty Thousand Dollars ($440,000) and (ii) to CWI an aggregate amount equal to Four Hundred Forty Thousand Dollars ($440,000) (collectively the “GC Payments”) as consideration and payment in full for any and all Brand Gift Cards (as defined below) redeemed at the Original Restaurants following the Effective Date. The GC Payments shall be paid by wire transfer to bank account designated by CI and CWI.

5. **Gift Card Liability**.

a) Notwithstanding Section 5(d) below, Founders agree to accept and redeem Brand Gift Cards at the Original Restaurants, consistent with past practices, following the Effective Date and for so long as the Original Restaurants continue to operate under the "Carrabba's" brand name or using other Licensed Marks. In connection with such redemptions, Founders acknowledge and agree that, in exchange for the GC Payments, BBI Entities shall have no liability or obligation with respect thereto, it being understood and agreed that the GC Payments are given as consideration and full satisfaction for any and all redemptions of Brand Gift Cards at the Original Restaurants following the Effective Date, provided such redemptions do not increase materially from redemption levels prior to the Effective Date (based on aggregate dollar amount per annum).

b) Notwithstanding Section 5(c) below, following the Effective Date and for so long as the Original Restaurants continue to operate under the "Carrabba's" brand name or other Licensed Marks, CIGI shall continue to honor and redeem, consistent with past practices, any Founder Gift Cards presented by customers at Carrabba's Italian Grill® Restaurants located in the U.S. and operated by CIGI or its Affiliates, and Founders shall have no liability to reimburse CIGI or its Affiliates for redemptions that occur after the Effective Date of this Agreement, provided such redemptions do not increase materially from redemption levels prior to the Effective Date (based on aggregate dollar amount per annum).

c) Founder Gift Cards printed or produced following the Effective Date shall include disclaimer language to the effect that such gift cards are not redeemable at Carrabba's Italian Grill® Restaurants operated by CIGI or its Affiliates or other licensees/franchisees. Founder Gift Cards may be offered or sold on website(s) maintained by Founders exclusively for the Kirby Restaurant and/or Voss Restaurant (the "Websites") but shall not otherwise be offered or sold via the Internet (or other forms of electronic commerce) or through third party retailers or distributors. Founder Gift Cards shall not be offered or sold via the Websites at more than a twenty-five percent (25%) discount from face value.

d) Brand Gift Cards printed or produced following the Effective Date, and which are specific to the Carrabba's® brand, shall include disclaimer language to the effect that such gift cards are not redeemable at the original Carrabba's restaurants located on Kirby and Voss in Houston, Texas.

6. **Ownership of Carrabba's IP**. Founders acknowledge and agree (i) to their knowledge, CIGI is the sole and exclusive owner of all rights, title and interest in and to the Carrabba's IP, and (ii) CIGI's ownership in and to the Carrabba's IP is free of any lien, claim, encumbrance, retained interest or reversionary right on the part of Founders, subject to and except only for the Kirby License and Voss License (as those terms are defined in Section 7 below). Founders each expressly acknowledge and agree that:

a) To the knowledge of Founders, the Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System, and each of the Founders will take no position that is inconsistent with the foregoing;

b) Founders will not directly or indirectly contest the validity or ownership of the Proprietary Marks or any other Carrabba's IP;

c) Founders will not register or apply to register any corporate name, trademark, copyright, design registrations or any other proprietary rights, in any country, state or other jurisdiction, utilizing any of the Proprietary Marks or other component of the Carrabba's IP;

d) Except pursuant to the Kirby License and the Voss License, Founders will not, directly or indirectly, (i) use any Proprietary Marks or other Carrabba's IP in connection with the operation of any other business or otherwise; or (ii) use any reproduction, counterfeit or copy of the Proprietary Marks, or any confusingly similar marks or other Carrabba's IP, either in connection with any other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute CIGI's rights in and to the Proprietary Marks or other Carrabba's IP. Founders further agree not to utilize any designation of origin, description or representation, including, without limitation, distinctive trade dress, which falsely suggests or represents an association or connection with CIGI or similarity to the Carrabba's® brand or System, including, but not limited to, the use of substantially similar menu items, recipes, naming conventions for menu items, trade dress, décor or operating systems, and references to "Carrabba's" in marketing, promotions, or descriptions of other business(es) which Founders (or any of them) now or hereafter own, operate or have any interest in. Without limiting the foregoing, Founders acknowledge and agree that the menu items identified on Exhibit A attached hereto, including the recipes and menu naming conventions used in connection therewith (the "Signature Menu Items"), constitute Carrabba's IP and are owned solely and exclusively by CIGI (although subject to the Kirby License and the Voss License).

e) Founders use of the System and/or any Proprietary Marks pursuant to this Agreement does not give them any ownership interest or other interest in or to any of the Carrabba's IP, except the rights specifically granted by the Kirby License or the Voss License;

f) Any and all goodwill arising from any use of the Proprietary Marks or other Carrabba's IP shall insure solely and exclusively to the benefit of CIGI and its Affiliates;

g) CIGI shall not be obligated to obtain or maintain registrations of any Proprietary Marks. CIGI may periodically add or discontinue the use of any Proprietary Marks and/or substitute different Proprietary Marks for use in identifying the System and Carrabba's Italian Grill® restaurants, in its sole judgement; and

h) Except for the non-exclusive License Agreements granted to Licensees pursuant to Section 7 below, CIGI does not grant to Founders any rights and/or interest in any Carrabba's IP, and CIGI has and retains all rights to the Proprietary Marks and System not expressly granted to Licensees in this Agreement.

7. **Original Restaurants - Grant of License**.

a) Subject to the terms and conditions contained herein, CIGI hereby grants to CI, and CI hereby accepts, a non-exclusive, non-transferrable (except as otherwise set forth herein), royalty-free license to use the Licensed Marks and System solely in connection with the operation of the Kirby Restaurant (the "Kirby License"). The Kirby License does not include any right to grant sublicenses.

b) Subject to the terms and conditions contained herein, CIGI hereby grants to CWI, and CWI hereby accepts, a non-exclusive, non-transferrable (except as otherwise set forth herein), royalty-free license to use the Licensed Marks and System solely in connection with the operation of the Voss Restaurant (the "Voss License" and, together with the Kirby License, referred to herein as the "License Agreements"). The Voss License does not include any right to grant sublicenses.

c) The parties agree that the Kirby License and Voss License shall hereby supersede and replace the CI License Agreement and the CWI License Agreement, respectively (as those terms are defined in the Royalty Agreement), effective as of the Effective Date. The CI License and CWI License Agreement shall be deemed null and void as of the Effective Date.

d) The Kirby License and the Voss License shall remain in effect for so long as the Kirby Restaurant and the Voss Restaurant, respectively, remain in operation and open to the public, unless the License Agreement(s) are otherwise terminated in accordance with this Section 7 (the "License Term"). For purposes of this Agreement, the Kirby Restaurant and the Voss Restaurant shall be deemed to be in operation and open to the public even if circumstances provide for a temporary closure of the Kirby Restaurant or the Voss Restaurant, which temporary circumstances may include, but not be limited to remodeling or renovation, fire, storm, flood, pandemic, labor strike or similar action or other circumstances outside the control of the Founders, so long as the owner of the Kirby Restaurant and the Voss Restaurant, as applicable, are using their best commercial efforts to cause the applicable restaurant to return to being open and serving customers with reasonable promptness.

e) During the License Term, in addition to all other covenants, obligations and requirements set forth in this Agreement, the parties hereto agree as follows:

A. The restaurant premises shall be used solely for the operation of the Kirby Restaurant and the Voss Restaurant licensed hereunder, which shall offer Italian food under the "Carrabba's" name.

B. CI and CWI (together, the "Licensees") are each permitted hereunder to (i) use and display the Licensed Marks in connection with advertising, marketing and promotion for the Original Restaurants, including on their websites and applications, menus and marketing materials; (ii) use and display, at the Original Restaurants, interior and exterior signs, logos and marketing using the Licensed Marks; and (iii) otherwise use and display the Licensed Marks as approved by CIGI in writing, in connection with the operation of the Original Restaurants.

C. Licensees shall (i) comply with all federal, state and local laws, rules and regulations, including, but not limited to, applicable data security and privacy laws, and all then-current Payment Card Industry Data Security Standards; and (ii) obtain and maintain all permits, certificates or licenses necessary for the full and proper conduct of the Original Restaurants. Without limiting the foregoing, Licensees shall meet and maintain all health and safety standards at required industry levels or above applicable to the operation of the Kirby Restaurant and/or Voss Restaurant.

D. Licensees shall maintain the interior and exterior of the Original Restaurants with all reasonable cleanliness, sanitation and repair and in accordance with applicable laws and regulations and generally consistent with the prior operation of the Original Restaurants and will ensure that the Original Restaurants maintain adequate staffing and supervision during all hours of operation.

E. Licensees shall maintain in full force and effect insurance policies, written by financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customary and appropriate for the restaurant industry and the operation of the Original Restaurants, including, but not limited to, comprehensive general liability insurance, liquor liability insurance, automobile liability insurance, workers' compensation insurance and any other insurance required by applicable law.

F. Licensees shall identify themselves as the owner(s) of the Original Restaurants in conjunction with any use of the Licensed Marks, including, but not limited to, uses on invoices, order forms, receipts, contracts, business forms, websites, and social media accounts, as well as the display of a conspicuous notice on the premises of the Original Restaurants.

G. Licensees shall not use the Licensed Marks as part of their corporate or other legal name.

H. Licensees will not operate the Original Restaurants or use the Licensed Marks or System in any manner that reflects adversely in a material manner on the Carrabba's Italian Grill® brand or System.

f) The right to use the Licensed Marks and System granted to CI and CWI pursuant to the License Agreements is <u>non-exclusive</u> and limited solely to the operation of the Original Restaurants. CIGI and its Affiliates have and retain all other rights to the Licensed Marks and all other Carrabba's IP not expressly granted to Licensees in this Agreement.

g) Notwithstanding any language to the contrary in this Agreement, it is expressly understood and agreed that the License Agreements do not grant any rights to Licensees to use the Excluded Marks (or any part or variation thereof). Any use of the Excluded Marks will be deemed a material breach of this Agreement.

h) Licensees agree that any unauthorized use of the Licensed Marks or other Carrabba's IP shall constitute an infringement of CIGI's rights and a breach of this Agreement. Without limiting the generality of the foregoing, Licensees shall not use, or authorize any other party to use, the Licensed Marks in connection with the manufacture of any product, unless otherwise agreed in writing by CIGI, in its sole discretion.

i) Licensees shall promptly notify CIGI if any legal action is instituted against Licensee(s) relating to their use of the Licensed Marks, and CIGI shall have the right to take all actions it deems necessary or appropriate to protect its ownership and interest in the Proprietary Marks. Licensees shall have the right, but not the obligation, to participate and cooperate with CIGI in any such action. Licensees shall promptly notify CIGI of any actual or potential (based upon Licensees good faith belief) infringement, counterfeiting, challenge, or unauthorized use of the Licensed Marks or other Carrabba's IP by any third party of which Licensee(s) become aware.

j) CIGI is not required to protect Licensees' right to use the Licensed Marks, nor to protect Licensees against third party claims of infringement or unfair competition arising from their use of the Licensed Marks. Without limiting the foregoing, CIGI shall not be required to defend or indemnify CI or CWI for expenses or damages if CI or CWI is a party to an administrative or judicial proceeding involving any Licensed Marks or if the proceeding is resolved unfavorably to CI and/or CWI.

k) Except for Permitted Transfers and Employee Transfers (as those terms are defined in Section 16), the License Agreements shall not be directly or indirectly assigned or transferred, in whole or in part, without CIGI's prior written consent in accordance with the terms of Section 16 and compliance with the ROFR in Section 8. Any purported transfer, by operation of law or otherwise, in violation of those provisions, shall be null and void and shall constitute a breach of this Agreement. Without limiting the foregoing, the parties agree that any change-in-control of CI or CWI shall be deemed a "transfer" unless such change-in-control is in favor of a Permitted Transferee or is an Employee Transfer.

l) If CIGI reasonably determines that either CI or CWI is in material default of its obligations under the Kirby License or Voss License, as applicable, CIGI may, at its option, notify the defaulting party that it will have thirty (30) calendar days after its receipt of such written notice of default within which to remedy such material default (or such longer period if CI or CWI promptly and diligently works to remedy such default, if completion of the cure reasonably takes longer than thirty (30) calendar days), and to provide evidence of such remedy to CIGI. If such default is not cured within the specified time, CIGI will have the right to immediately terminate the applicable License Agreement by providing written notice of termination to the defaulting party.

m) The Kirby License or Voss License, as applicable, shall automatically terminate without notice if CI or CWI: (i) close or cease operations of the Kirby Restaurant or the Voss Restaurant, including any rebranding of such restaurant(s), other than a temporary closure as provided in Section 7(d) above; (ii) files a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, or dissolution under any law, or admits or fails to contest the material allegations of any such pleading filed against it; (iii) an order for relief is entered against it under the Bankruptcy Code; (iv) is adjudicated as insolvent; (v) a receiver is appointed for a substantial part of its assets; (vi) there is an abatement of the claims of creditors of such party under any law; or (vii) such party is voluntarily or involuntarily liquidated by or for the benefit of creditors or makes an assignment for the benefit of creditors, or similarly disposes of its assets.

n) Upon termination of the License Agreement(s) for any reason, Licensee(s) shall immediately cease to use the System and Licensed Marks and shall promptly make such modifications or alterations to the premises of the Kirby Restaurant and/or the Voss Restaurant, as applicable, to distinguish the appearance of said premises from that of other Carrabba's Italian Grill® restaurants.

o) While the Kirby Restaurant is currently located at 3115 Kirby Drive, Houston, Texas 77098 and the Voss Restaurant is currently located at 1399 South Voss Road, Houston, Texas 77057, in the event CI (with respect to the Kirby Restaurant) or CWI (with respect to the Voss Restaurant) determines it is necessary or desirable to relocate its respective restaurant, it shall be entitled to do so as long as (i) the new restaurant location is within a five (5) mile radius of the original location; (ii) the new restaurant location is substantially of the same quality of building and improvement as the original restaurant; and (iii) the premises of the original restaurant is modified to distinguish its appearance from that of other Carrabba's Italian Grill® restaurants.

8. **<u>ROFR</u>**. For so long as the Kirby License and/or the Voss License remain in effect, CIGI will have a right of first refusal ("<u>ROFR</u>"), as follows:

a) Any Founder(s) (hereinafter "<u>Transferor</u>") desiring to accept a bona fide offer from a prospective purchaser of any interest in the Kirby Restaurant and/or Voss Restaurant (whether by sale of assets, sale of equity interest, merger, consolidation or otherwise) shall, within five (5) business days of receipt of such offer and prior to acceptance thereof, provide written notice to

CIGI (hereinafter "Notice of Offer") of each such offer. The Notice of Offer shall specify the interest to be transferred (hereinafter "Interest"), the identity of the offeror, the purchase price and manner of payment. Transferor shall also provide such other documents and information relating to the offeror and/or the offer as CIGI reasonably requests.

b) Upon receipt of a Notice of Offer, CIGI shall have the right and option to purchase, and Transferor shall be obligated to sell to CIGI, the Interest upon the same terms and conditions contained in the Notice of Offer. In the event the consideration, terms and/or conditions contained in the Notice of Offer are such that CIGI may not reasonably be required to furnish the same consideration, terms and/or conditions, CIGI shall notify Transferor and CIGI shall have the right to substitute therefor the reasonable cash equivalent. If CIGI and Transferor cannot agree on the reasonable cash equivalent within fifteen (15) business days of receipt of the Notice of Offer, CIGI and Transferor shall each appoint an independent, qualified M.A.I. appraiser to determine the reasonable cash equivalent. If the two (2) appraisers so appointed cannot agree on the reasonable cash equivalent, they shall appoint a third independent, qualified M.A.I. appraiser to determine a third appraisal of the reasonable cash equivalent. The final reasonable cash equivalent shall be the average of the two (2) closest appraisals. The determination of such appraisers shall be final and binding on all parties.

c) CIGI may exercise the ROFR granted in this Section 8 by providing written notice ("Notice of Exercise") to Transferor on or before the later of (i) thirtyfive (35) days from receipt of the Notice of Offer; (ii) fifteen (15) days from the date of receipt of all additional information and documents relating to the offeror and/or the offer requested by CIGI pursuant to (a) above; or (iii) twenty (20) days from receipt of written determination by the appraiser of reasonable cash equivalent pursuant to subsection (b) above, if applicable. In the event CIGI desires to request additional information and documents relating to the offeror and/or the offer, such requests shall be made within ten (10) business days from receipt of the Notice of Offer.

d) The closing for any purchase by CIGI hereunder shall be consummated and closed in CIGI's principal office at a mutually agreed upon date and time, provided that such closing shall be held within seventy-five (75) days from the date of Notice of Exercise. At the closing, Transferor shall execute and deliver to CIGI such documents, affidavits and instruments as are necessary or appropriate, to transfer good and marketable title in the Interest to CIGI, free and clear of any lien, claim or encumbrance (except as otherwise specified in the Notice of Offer). Transferor shall execute and deliver to CIGI such representations, warranties and indemnities as are customary or appropriate, in connection with the transfer of property of a kind similar to the Interest. Transferor (and its owners) shall sign a noncompetition undertaking in favor of CIGI that contains the restrictions in Section 11 and Section 6(d) hereof. CIGI shall deliver the purchase price to Transferor in accordance with the Notice of Offer and/or determination of reasonable cash equivalent. If the Interest includes real property, Transferor shall deliver to CIGI an owner's title insurance policy (on the form promulgated by the Texas Department of Insurance), issued by a company acceptable to CIGI's counsel, insuring CIGI's title to the real property for the full amount of the purchase price without any exceptions or exclusions except for those acceptable to CIGI. Transferor shall use its best efforts and due diligence to cure any title defects and the closing shall be extended for a reasonable cure period; provided Transferor shall have no obligation to incur any costs in connection with such cure efforts other than costs related to the release of liens filed against such real property. All costs, fees, document taxes and other expenses incurred in connection with the transfer of the Interest shall be allocated in accordance with the Notice of Offer; provided that Transferor shall be responsible for the base premium of the Owner's Policy and CIGI shall be responsible for to costs of any endorsements required by CIGI, and any costs not allocated in the Notice of Offer shall be paid in accordance with customary practices in Houston, Texas.

e) As to any particular Notice of Offer, if CIGI does not exercise the ROFR within the time limit of (c) above, or if CIGI, through no fault of Transferor, fails to close the purchase of the Interest within the time limit of (d) above, then as to such particular Notice of Offer only, Transferor shall be free to transfer the Interest solely to the offeror named in the Notice of Offer upon the same terms and conditions contained in the Notice of Offer; provided however:

i) such transfer shall be subject to compliance with all terms and provisions of Section 16, including CIGI's and OSI's prior written consent. For purposes of this Section, such consent shall be considered within thirty-five (35) days after receipt of the Notice of Offer and shall not be unreasonably withheld or delayed past the end of such period (provided CIGI and OSI have elected not to exercise their ROFR). CIGI and OSI shall not unreasonably withhold consent to the proposed transfer if the following conditions are satisfied: (A) the proposed transferee possesses a good moral character, business reputation, and credit rating and has sufficient business experience, aptitude and ability, including adequate financial resources, to operate the Kirby Restaurant and/or Voss Restaurant, as applicable; (B) the proposed transferee does not violate the competitive restrictions of Section 11(b) hereof; and (C) CIGI and OSI reasonably determine that the purchase price and payment terms of the transfer will not have a material adverse effect on the Kirby Restaurant and/or Voss Restaurant, as applicable.

ii) such transfer shall be consummated and closed on or before the earlier of: (A) if CIGI has not exercised its ROFR, seventy-five (75) days from the expiration date for exercise of the ROFR pursuant to (c) above or notice from CIGI that it does not intend to exercise its ROFR; or (B) if CIGI has exercised the ROFR but failed to close through no fault of Transferor, seventy-five (75) days from the expiration date for closing pursuant to (d) above;

iii) the transferor shall execute a general release, in form acceptable to CIGI and OSI, of any and all claims against the BBI Entities; and

iv) if the transfer involves all or substantially all the assets of the Kirby Restaurant and/or Voss Restaurant, or a controlling interest (direct or indirect) in CI or CWI, as applicable (or other entity that then owns/operates the Kirby Restaurant and/or Voss Restaurant), the transferee shall sign CIGI's standard form of franchise agreement (including, without limitation, owner guarantees) then being offered to new Carrabba's restaurant franchisees, which agreement shall supersede the Kirby License and/or Voss License, as applicable, in all respects; provided, however, the transferee shall not be required to pay an initial franchise fee or ongoing royalty fee for a period of fifteen (15) years from the effective date of the transfer. After such fifteen (15) year period, the transferee shall pay to CIGI or its designee a continuing monthly royalty equal to five percent (5%) of the Net Sales of the Kirby Restaurant and/or Voss Restaurant, as applicable. Such franchise agreement shall provide for an initial term of twenty (20) years plus one consecutive renewal term of twenty (20) years.

f) Transferor shall make no transfer of the Interest except to the offeror named in the Notice of Offer, on the terms and conditions as are consistent with those contained in the Notice of Offer (recognizing that the definitive agreement between Transferor and the offeror named in the Notice of Offer will have more details than just the Notice of Offer) and within the time limit specified in subsection (e). Any purported transfer not in compliance with all the requirements of the preceding sentence and having the prior written consent of CIGI and OSI shall be null and void. If Transferor does not close and consummate the transfer of the Interest in accordance with the requirements of (e) and (f) hereof, CIGI's purchase option shall again be exercisable and Transferor shall make no transfer of the Interest until it has again complied with all terms and provisions of this Section 8, including, without limitation, issuance of a new Notice of Offer. Any modification to the purchase price or other material modification to an offer shall constitute a new offer for which CIGI's purchase option shall again be exercisable and Transferor shall make no transfer pursuant to such modified offer until it has again complied with all terms and provisions of this Section 8, including, without limitation, issuance of a new Notice of Offer.

g) Except as otherwise provided in this Section 8, each party shall bear its own costs and expenses in connection with any proposed transaction related to the ROFR, including but not limited to fees of attorneys, financial advisors and any due diligence activities.

h) The ROFR in this Section 8 shall not apply to Permitted Transfers or Employee Transfers (as those terms are defined in Section 16 below).

9. **Representations and Warranties of CIGI and OSI.** Each of CIGI and OSI hereby represent and warrant, jointly and severally, as of the Effective Date of this Agreement, to Founders as follows:

a) **Status**. CIGI is a duly organized limited liability company, validly existing and in good and active status under the laws of the State of Florida, with all requisite corporate power and authority to enter into this Agreement and consummate the transactions contemplated herein. OSI is a duly organized limited liability company, validly existing and in good and active status under the laws of the State of Delaware, with all requisite power and authority to enter into this Agreement and consummate the transactions contemplated herein.

b) **Authorization**. Each of CIGI and OSI is duly authorized to enter into, sign and deliver this Agreement and to perform its covenants and obligations hereunder. This Agreement, when signed by an officer of CIGI and OSI, will constitute a valid and binding agreement, enforceable against CIGI and OSI in accordance with its terms.

c) **No Conflict**. The signing, delivery and performance of this Agreement by CIGI and OSI do not, and will not, immediately or with the passage of time, the giving of notice or otherwise, result in a breach of, constitute a default or violation under, or accelerate any obligation under any agreement or instrument to which CIGI or OSI is a party, or by which CIGI or OSI may be bound.

d) **Approvals and Consents**. All required consents, approvals or authorizations of any governmental authority, entity (including any trust) or person in connection with the execution or delivery of this Agreement by CIGI or OSI, and the performance of their respective obligations hereunder, have been obtained as of the Effective Date.

10. **Representations and Warranties of Founders.** Founders represent and warrant, jointly and severally, as of the Effective Date of this Agreement, to BBI Entities as follows:

a) **Status**. Each of MBI, MBI2, CI and CWI is a duly organized corporation, validly existing and in good and active status under the laws of the State of Texas, with all requisite corporate power and authority to enter into this Agreement and consummate the transactions contemplated herein.

b) **Authorization**. Each Founder is duly authorized to enter into, sign and deliver this Agreement and to perform its covenants and obligations hereunder. This Agreement, when signed by Johnny Carrabba, Damian Mandola, John Carrabba, Jr., and an officer of MBI, MBI2, CI and CWI, will constitute a valid and binding agreement, enforceable against Founders in accordance with its terms.

c) **No Conflict**. The signing, delivery and performance of this Agreement by Founders do not, and will not, immediately or with the passage of time, the giving of notice or otherwise, result in a breach of, constitute a default or violation under, or accelerate any obligation under any agreement or instrument to which Founders, or any of them, is a party, or by which Founders, or any of them, may be bound.

d) **Approvals and Consents**. All required consents, approvals or authorizations of any governmental authority, entity (including any trust) or person in connection with the execution or delivery of this Agreement by Founders, and the performance of their respective obligations hereunder, have been obtained as of the Effective Date.

e) **Ownership**. Except for the transfer from MBI to MBI2 pursuant to that certain Assignment of Royalty Fees dated effective as of April, 1995 and certain transfers to trusts for which notice was previously provided in accordance with the Royalty Agreement, Founders have not transferred, assigned, encumbered or disposed of any right, title or interest, whether direct or indirect, in or to the royalties provided for in Article III of the Royalty Agreement. Founders further represent and warrant that (i) all such transferees described above are bound by the terms and conditions of the Royalty Agreement and (ii) Johnny Carrabba, III and/or Damian Mandola have voting control of MBI2.

11. **Covenants of Founders**. In addition to other covenants or agreements of Founders set forth in this Agreement, Founders agree, jointly and severally, as follows:

a) Except as required by law or as necessary to protect its interests in legal proceedings involving the parties to this Agreement or third parties, at no time during the License Term, or at any time thereafter, shall any Founder, individually or jointly with others, for the benefit of any Founder or any third party, publish, disclose, use, or authorize anyone else to publish, disclose or use, any secret or confidential material or information relating to any aspect of the business or operations of CIGI, the System, or the Restaurants, including, without limitation, any secret or confidential information relating to the business, customers, trade or industrial practices, trade secret, technologies, recipes, formulas, or know-how of CIGI, its Affiliates or the System.

b) During the License Term and for a period of two (2) years from the expiration or termination of the License Term, Founders shall not, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership or corporation, own, maintain, operate, engage in, be employed by, or have any interest in, or lend any assistance to, any business which owns or operates, or licenses or franchises rights to own or operate, one or more full service Italian food restaurants and which is, or is intended to be, located within thirty (30) miles of an existing or proposed Restaurant utilizing the System, whether owned by CIGI, its Affiliates or a licensee/franchisee of CIGI; provided, however, that during the License Term, the foregoing geographic limitation shall not apply and, except for the Kirby Restaurant and the Voss

Restaurant, the Founders shall be prohibited from such ownership and/or activity regardless of whether such other business is within or without the thirty (30) mile radius. The term "proposed Restaurant" shall mean all locations for which CIGI (or its successor in interest as an owner of the System), any Affiliate of CIGI, or any licensee/franchisee is conducting active, bona fide negotiations to secure a fee or leasehold interest with the intention of establishing thereon a restaurant utilizing the System. This Section 11(b) shall not apply to ownership by any Founder of less than one percent (1%) beneficial interest in the outstanding equity securities of any corporation required to file periodic reports under the Securities and Exchange Act of 1934, as amended.

c) Notwithstanding any other provision to the contrary, the ownership and operation of the Trattoria Lisina restaurant that is located at 13308 FM 150 West, Driftwood, Texas 78619 (including any alternative [but not additional] address that is within a five (5) mile radius of the foregoing address) ("Trattoria Lisina") shall not be deemed to violate the provisions of Section 11(b) above (or the post-term restrictive covenants in Section 5.2 of the Royalty Agreement, as incorporated into this Agreement by reference pursuant to Section 2 hereof), as long as Trattoria Lisina continues to be owned and controlled by Damian Mandola, his Immediate Family and/or his or their Affiliates.

d) Each of CI, CWI, MBI and MBI2 shall require and obtain execution of confidentiality covenants similar to those set forth in Section 11(a) above from the following persons: (i) all managers, kitchen managers and assistant managers of the Kirby Restaurant and/or Voss Restaurant; and (iii) all officers and directors of MBI, MBI2, CI or CWI. Such covenants shall be in form reasonably satisfactory to CIGI and naming CIGI as a third-party beneficiary of such covenants with the independent right to enforce them. Nothing in this Section 11(c) shall be construed as a guarantee by MBI, MBI2, CI or CWI of the enforceability of such covenants.

12. **Indemnification by Founders**. Founders agree, jointly and severally, to indemnify, defend, and hold harmless the BBI Entities and their respective Affiliates, directors, officers, shareholders, members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assigns of any and all of them (the "BBI Indemnified Parties"), and reimburse any and all of the BBI Indemnified Parties for, any and all Claims (as defined below) arising out of or related, directly or indirectly, to: (i) any breach of the representations or warranties set forth in Section 10 of this Agreement; (ii) any failure by Founders, or any of them, to perform any covenants or agreements contained in this Agreement; or (iii) the operation of the Original Restaurants, including, without limitation, negligence of Founders, or any of them, or their agents, employees or contractors. Under no circumstances will any BBI Indemnified Party be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate its losses and expenses, in order to maintain and recover fully a Claim under this Section. Founders agree that a failure to pursue such recovery or to mitigate a loss will in no way reduce or alter the amounts any BBI Indemnified Party may recover. For purposes of this Agreement, "Claims" shall mean: (a) all liabilities, losses, damages (including, without limitation, consequential damages, but only to the extent such consequential damages are awarded to a third party and not consequential damages allegedly incurred by a BBI Indemnified Party absent an award to a third party for which a BBI Indemnified Party is liable), judgments, awards, settlements approved by the indemnified party (such approval shall not be unreasonably withheld or delayed), costs and expenses (including, without limitation, interest (including, without limitation, prejudgment interest in any litigated matter), penalties, court costs and reasonable attorneys' fees and expenses); and (b) all demands, claims, suits, actions, costs of investigation, causes of action, proceedings and assessments. Notwithstanding the foregoing, in the event the BBI Indemnified Parties are entitled to indemnification hereunder on account of the actions of either Johnny Carrabba or Damian Mandola, the indemnification obligations contained herein shall not be joint and several, but rather

several only on the part of Johnny Carrabba or Damian Mandola, as applicable. The indemnity provisions of this Section 12 shall survive the expiration or termination of this Agreement.

13. **Indemnification by CIGI and OSI**. CIGI and OSI agree, jointly and severally, to indemnify, defend, and hold harmless Founders and their respective Affiliates, directors, officers, shareholders, members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assigns of any and all of them (the "Founder Indemnified Parties"), and reimburse any and all of the Founder Indemnified Parties for, any and all Claims arising out of or related, directly or indirectly, to (i) any breach of the representations or warranties set forth in Section 9 of this Agreement; or (ii) any failure by CIGI or OSI to perform any covenants or agreements contained in this Agreement. Under no circumstances will any Founder Indemnified Party be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate its losses and expenses, in order to maintain and recover fully a Claim under this Section. CIGI and OSI agree that a failure to pursue such recovery or to mitigate a loss will in no way reduce or alter the amounts any Founder Indemnified Party may recover. The indemnity provisions of this Section 13 shall survive the expiration or termination of this Agreement.

14. **Release by Founders**. In specific consideration of CIGI and OSI's entry into this Agreement, and effective as of the Effective Date, the Founders, for themselves and their respective Affiliates, directors, officers, shareholders, members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assigns of any and all of them (collectively, the "Founder Releasing Parties"), hereby release, remise, acquit, and forever discharge CIGI and OSI and their respective Affiliates, directors, officers, shareholders, members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assign s of any and all of them (collectively, the "BBI Released Parties"), from and against any and all debts, claims, demands, actions, causes of action, loss, losses, damage, damages, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, which the Founder Releasing Parties (or any of them) now have or ever had against the BBI Released Parties, or any of them, including, without limitation, anything related to, or that may hereafter arise out of or relate to: (i) the Royalty Agreement or any related agreement; or (ii) the business relationship or other agreements between the BBI Released Parties, or any of them, on the one hand, and the Founder Releasing Parties, or any of them, on the other hand; for any matter arising prior to and including the Effective Date of this Agreement; provided, however, this release does not apply to any duties or obligations expressly contained in this Agreement.

15. **Release by CIGI and OSI**. In specific consideration of the Founders' entry into this Agreement, and effective as of the Effective Date, CIGI and OSI, for themselves and their respective Affiliates. directors, officers, shareholders, members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assigns of any and all of them (collectively, the "BBI Releasing Parties"), hereby release, remise, acquit, and forever discharge Founders and their respective Affiliates, directors, officers, shareholders members, partners, employees, agents, attorneys and representatives, together with the predecessors, successors, heirs and assigns of any and all of them (collectively, the "Founder Released Parties"), from and against any and all debts, claims, demands, actions, causes of action, loss, losses, damage, damages, and liabilities of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, which the BBI Releasing Parties, or any of them, now have or ever had against the Founder Released Parties, or any of them, including, without limitation, anything related to, or that may hereafter arise out of or relate to: (i) the Royalty Agreement or any related agreement; or (ii) the business relationship or other agreements between the BBI Released Parties, or any of them, on the one hand, and the Founder Releasing Parties, or any of them, on the other hand; for any matter arising prior to and including the Effective Date of this Agreement; provided, however, this release does not apply to (a) any duties or obligations expressly contained in this Agreement; (b) the operation of the Original Restaurants; or (c) any obligations that expressly or by their nature survive

termination of the Royalty Agreement, including the confidentiality obligations and post-term restrictive covenants.

15. **Non-disparagement**. The parties each agree to refrain from disparaging or otherwise making derogatory comments or statements, orally or in writing, concerning the other party's or parties' character, business practices or operations, or in any way tending to harm the other party's or parties' reputation and standing or that of such party's or parties' officers, directors, employees, shareholders, Affiliates, agents, representatives, successors or assigns.

16. **Transfers**.

a) CIGI or OSI may transfer or assign this Agreement and all or any part of their rights and obligations hereunder, or all or any part of CIGI's or OSI's assets, to any person or legal entity without the consent of Founders; provided, however, that any transferee and successor will succeed to the rights of CIGI and/or OSI in the License and they expressly agree to assume CIGI's or OSI's obligations under this Agreement, as applicable. CIGI and OSI may change their ownership or form without any restriction. Founders expressly and specifically waive any claims, demands, or damages against the BBI Entities arising from or related to the transfer of the Proprietary Marks (or any variation of them) and/or the Carrabba's IP (or any component thereof) from CIGI to any other party.

b) Except for Permitted Transfers or Employee Transfers (as those terms are defined below), Founders shall not, directly or indirectly, transfer or assign any interest in this Agreement (or any of their rights or obligations hereunder) or the Original Restaurants (including any ownership interests therein or all or substantially all of the assets thereof) without the prior written consent of CIGI and OSI and compliance with the terms of Section 8. Any purported transfer, by operation of law or otherwise, without CIGI's and OSI's required consent shall be deemed null and void. Any permitted transferee or assignee (including transfers pursuant to Section 16(c) or 16(d) below) shall be bound by the terms and conditions of this Agreement and shall sign a written agreement to that effect.

c) "Permitted Transfers" shall mean any assignment or transfer of interests to (i) Immediate Family Members of Johnny Carrabba, Damian Mandola, or John Carrabba, Jr. or (ii) any trust established by any of the foregoing individuals (alone or with their spouses) for estate planning purposes and for the benefit of Immediate Family Members; provided that, in each case, the transferee of such interests shall be subject to the same restrictions on further transfers as are contained in this Section 16 (including exceptions to such restrictions pursuant to this Section 16(c)). The term "Immediate Family Member(s)" shall mean the spouse, parents, brothers, sisters and children, whether natural or adopted, of any individual. Founders shall provide advance written notice to CIGI and OSI for any Permitted Transfers.

d) "Employee Transfers" shall mean any assignment or transfer of interests, whether alone or together with previous, simultaneous or proposed transfers, to not more than five (5) individuals (in the aggregate) each of whom has been employed by MBI, MBI2, CI, CWI or their Affiliates in connection with the Original Restaurants for at least ten (10) years as of the Effective Date of this Agreement (collectively, the "Founder Employees"); provided that, in each case, the transferee of such interests shall be subject to the same restrictions on further transfers as are contained in this Section 16. Founders shall provide advance written notice to CIGI and OSI for any Employee Transfers. If the transfer involves all or substantially all of the assets of the Kirby Restaurant and/or Voss Restaurant, or a controlling interest (direct or indirect) in the entity that then owns/operates the restaurants, then:

i. the transferee and CIGI shall sign a license agreement, in form mutually acceptable to both parties, related to the use of the Proprietary Marks and System in the operation of the Kirby Restaurant and/or Voss Restaurant, which new license agreement shall (A) replace and supersede the License Agreements; (B) contain terms and provisions reasonably necessary to protect CIGI's interests in and to the Carrabba's IP; (C) require a continuing royalty fee equal to five percent (5%) of Net Sales commencing on the fifteenth (15^{th}) anniversary of the effective date of the transfer; and (D) provide for an initial term of twenty (20) years plus one consecutive renewal term of twenty (20) years. There shall be no initial fee, marketing fees or other fees payable under the new license agreement, except for the five percent (5%) royalty fee.

ii. Transferee shall designate at least one of the Founder Employees as the "Designated Principal" who shall (A) own and control at least twenty (20%) percent of the equity and voting rights in the entity (or entities) that own the Kirby Restaurant and/or Voss Restaurant, as applicable; (B) have sufficient business and industry experience, and devote sufficient time and attention, necessary to actively oversee the operations of the restaurants; and (C) have authority to direct and control the day-to-day operations of the restaurants and to make decisions, on behalf of the Founder Employees, relating to the affairs of the business in its dealings with CIGI.

17. **Notices.** All notices or requests to be given hereunder by any party shall be in writing and will be deemed to be duly given if delivered personally or sent by nationally recognized overnight delivery service (e.g., FedEx), or by registered or certified mail, postage prepaid, to:

If to MBI, MBI2, CI Johnny Carrabba or John Carrabba, Jr.:	MANGIA BEVE, INC. 3131 Argonne Street Houston, TX 77098 Attn: John C. Carrabba, III
If to CWI:	VOSS, INC. 3131 Argonne Street Houston, TX 77098 Attn: John C. Carrabba, III
If to Damian Mandola:	DAMIAN C. MANDOLA 2155 Addison Road Houston, TX 77030
In each case with a copy to:	BoyarMiller 2925 Richmond Avenue, 14th Floor Houston, TX 77098 Attn: Gary W. Miller
If to CIGI or OSI	CARRABBA'S ITALIAN GRILL, LLC 2202 N. West Shore Blvd, Suite 500 Tampa, FL 33607 Attn: Chief Legal Officer

18. **Relationship of Parties**. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between or among them and that nothing in this Agreement is intended to constitute any party an agent, legal representative, joint-venturer, partner, employee or servant of another party for any purpose whatsoever.

19. **Governing Law**. This Agreement and the rights and obligations hereunder shall be governed by Florida law. The parties agree that venue and jurisdiction for any disputes related to or arising out of this Agreement shall be exclusively in the federal and state courts located in Hillsborough County, Florida, and each party hereby consents and irrevocably submits to the personal jurisdiction and venue of such courts and waives any objection that such courts constitute an inconvenient forum.

20. **Waiver of Jury Trial**. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, AND SHALL CAUSE ITS AFFILIATES TO WAIVE, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

21. **Enforcement Costs**. If a legal action is initiated by any party to this Agreement or its Affiliates against another party or its Affiliates, arising out of or relating to any right or obligation hereunder, any and all fees, costs and expenses reasonably incurred by each successful party (as determined by the applicable court) in investigating, preparing for, prosecuting, defending against, or providing evidence in respect of, such action will be paid or reimbursed by the unsuccessful party.

22. **Expenses**. Each party shall pay all fees and expenses incurred by them, including the fees of their respective counsel, accountants, and other experts incident to the negotiation and preparation of this Agreement and the consummation of the transactions contemplated herein.

23. **Taxes**. Founders shall be responsible for any sales, use, income, gross receipts, capital gains, transfer or similar taxes or assessments imposed by any taxing authority with respect to the transactions contemplated hereunder.

24. **Survival**. All covenants, obligations, and agreements of the parties which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, will survive such termination or expiration.

25. **No Third Party Beneficiary**. Nothing in this Agreement is intended or shall be construed to create any right, claim or remedy in favor of any person other than the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties' respective successors, permitted assigns, heirs, personal representatives and administrators.

26. **Opportunity to Consult Counsel**. Each party to this Agreement acknowledges that such party has had the opportunity to review this Agreement and to consult with legal counsel of their own choosing concerning the terms of this Agreement prior to its execution. No provision of this Agreement shall be construed by any Court or other judicial authority against any party hereto by reason of such party's being deemed to have drafted or structured such provisions.

27. **Recitals**. The parties acknowledge and agree that the Recitals are true and correct and are incorporated herein by reference.

28. **Entire Agreement.** This Agreement contains the entire agreement of the parties relating to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written, and there are no warranties,

representations or other agreements between the parties or on which any of the parties have relied in connection with the subject matter hereof, except as specifically set forth in this Agreement.

29. **Modification; Waiver**. This Agreement shall not be modified except by an instrument in writing duly signed on behalf of the party against whom enforcement of such modification is sought. No waiver of any provision of this Agreement shall be effective unless in writing and similarly signed, nor shall any failure of any party to enforce any right or remedy hereunder be deemed a waiver of such right or remedy for the future in the same or any situation. Notwithstanding the foregoing, the parties agree that CIGI shall have the right, in its sole discretion, to reduce the scope of any restrictive covenants set forth in Section 2, Section 11 or otherwise, or any portion thereof, effective immediately upon receipt of written notice thereof; and each Founder agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable against such Founder.

30. **Severability**. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. To the extent any provision of this Agreement is held to be invalid, illegal or unenforceable in any jurisdiction, the Parties will use reasonable efforts to negotiate and agree upon provisions that are valid, legal and enforceable in the applicable jurisdiction and that accomplish to the extent practicable, those provides held to be invalid, illegal or unenforceable, provided, however no Party shall be required to agree upon a substitute provision to the extent that such provision requires other than a de minimis expenditure by such Party or otherwise adversely effects such party to any material extent.

31. **Headings**. The headings, captions and arrangements used in this Agreement are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify or modify the terms of this Agreement, nor affect the meaning thereof.

32. **Language Construction**. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning, and not for or against either party hereto. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that normal rules of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

33. **Counterparts**. This Agreement may be executed in one or more counterparts or by any electronic means, each of which will be deemed to be an original and all of which, when taken together, will be deemed to constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement effective as of the day and year first written above.

“CIGI”

CARRABBA’S ITALIAN GRILL, LLC
(formerly Carrabba’s Italian Grill, Inc.), a
Florida limited liability company

By: /s/ Kelly Lefferts
Kelly Lefferts,
Executive Vice President, Chief
Legal Officer and Secretary

“OSI”

OSI RESTAURANT PARTNERS, LLC
(formerly OSI Restaurant Partners, Inc.,
formerly Outback Steakhouse, Inc.), a Delaware
corporation

By: /s/ Kelly Lefferts
Kelly Lefferts,
Executive Vice President, Chief
Legal Officer and Secretary

“MBI”

MANGIA BEVE, INC., a Texas corporation

By: /s/ John C. Carrabba, III
John C. Carrabba, III
President

“MBI2”

MANGIA BEVE II, INC., a Texas corporation

By: /s/ John C. Carrabba, III
John C. Carrabba, III
President

“CI”

ORIGINAL, INC. (formerly Carrabba,Inc.), a Texas corporation

By: /s/ John C. Carrabba, III
John C. Carrabba, III
President

“CWI”

VOSS, INC. (formerly Carrabba Woodway, Inc.), a Texas corporation

By: /s/ John C. Carrabba, III
John C. Carrabba, III
President

“JOHNNY CARRABBA”

/s/ John C. Carrabba, III
John C. Carrabba, III, individually

“DAMIAN MANDOLA”

/s/ Damian C. Mandola
Damian C. Mandola, individually

“JOHN CARRABBA, JR.”

/s/ John C. Carrabba, Jr.
John C. Carrabba, Jr., individually

<u>EXHIBIT A</u>

<u>Signature Menu Items</u>

- Chicken Bryan
- Pollo Rosa Maria
- Scotty Thompson Bruschette
- Spiedino Di Mare
- Mahi Wulfe
- Linguine Pescatore
- Fettuccine Carrabba (AKA Pasta Carrabba)
- Mezzaluna
- Pasta Georgio
- Mr. C’s signature grill baste
- Johnny Rocco salad
- Mama Mandola’s Sicilian Chicken Soup
- Ricardo sauce for dipping or topping dishes
- Rigatoni Martino
- Scampi Damian
- Picchi Pacchiu (Using that name for this type of sauce)
- Spicy Sicilian butter for dipping or topping dishes
- Dessert Rosa
- John Cole dessert
- Limoncello Bread Pudding
- Fruit filled handmade crostatas
- Sogno Di Cioccolata “chocolate dream”
- Cozze in Bianco (The use of our signature house made lemon butter sauce to create the recipe)
- Shrimp Diavolo
- A combination plater designed like “The johnny” and “Chicken trio”
- Cannoli Cake for Two
- Marketing Terms
  - Bring homemade home
  - Amore Monday or any other day of week
  - Founder’s Favorites
  - Sangria Sunday

Exhibit 31.1

CERTIFICATION

I, David J. Deno, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

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

Exhibit 31.2

CERTIFICATION

I, Christopher Meyer, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

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

Exhibit 32.1

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 27, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

Date:	August 5, 2021	/s/ David J. Deno
		David J. Deno Chief Executive Officer (Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 27, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Meyer, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

Date:	August 5, 2021	/s/ Christopher Meyer
		Christopher Meyer Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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