

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35625



BLOOMIN'  
BRANDS

**BLOOMIN' BRANDS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-8023465

(IRS Employer Identification No.)

2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607

(Address of principal executive offices) (Zip Code)

(813) 282-1225

(Registrant's telephone number, including area code)

N/A

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

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

| Title of each class           | Trading Symbol(s) | Name of each exchange on which registered                    |
|-------------------------------|-------------------|--|
| Common Stock \$0.01 par value | BLMN              | The Nasdaq Stock Market LLC<br>(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 November 4, 2019, 86,865,175 shares of common stock of the registrant were outstanding.

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**BLOOMIN' BRANDS, INC.**

INDEX TO QUARTERLY REPORT ON FORM 10-Q  
For the Quarterly Period Ended September 29, 2019  
(Unaudited)

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**BLOOMIN' BRANDS, INC.**
**PART I: FINANCIAL INFORMATION**
**Item 1. Financial Statements**
**CONSOLIDATED BALANCE SHEETS**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)**

|   | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|---|--------------------|-------------------|
| <b>ASSETS</b>   |                    |                   |
| Current assets  |                    |                   |
| Cash and cash equivalents   | \$ 51,408          | \$ 71,823         |
| Inventories   | 73,378             | 72,812            |
| Other current assets, net   | 86,797             | 190,848           |
| Total current assets  | 211,583            | 335,483           |
| Property, fixtures and equipment, net   | 1,050,002          | 1,115,929         |
| Operating lease right-of-use assets   | 1,262,449          | —                 |
| Goodwill  | 290,042            | 295,427           |
| Intangible assets, net  | 473,043            | 503,972           |
| Deferred income tax assets, net   | 66,626             | 92,990            |
| Other assets, net   | 115,202            | 120,973           |
| Total assets  | \$ 3,468,947       | \$ 2,464,774      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                    |                   |
| Current liabilities   |                    |                   |
| Accounts payable  | \$ 160,029         | \$ 174,488        |
| Accrued and other current liabilities   | 387,017            | 246,653           |
| Unearned revenue  | 217,211            | 342,708           |
| Current portion of long-term debt   | 26,548             | 27,190            |
| Total current liabilities   | 790,805            | 791,039           |
| Non-current operating lease liabilities   | 1,273,904          | —                 |
| Deferred rent   | —                  | 167,027           |
| Deferred income tax liabilities   | 14,835             | 14,790            |
| Long-term debt, net   | 1,093,391          | 1,067,585         |
| Long-term portion of deferred gain on sale-leaseback transactions, net  | —                  | 177,983           |
| Other long-term liabilities, net  | 144,438            | 191,533           |
| Total liabilities   | 3,317,373          | 2,409,957         |
| Commitments and contingencies (Note 16)   |                    |                   |
| Stockholders' equity  |                    |                   |
| Bloomin' Brands stockholders' equity  |                    |                   |
| Preferred stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of September 29, 2019 and December 30, 2018                                    | —                  | —                 |
| Common stock, \$0.01 par value, 475,000,000 shares authorized; 86,856,165 and 91,271,825 shares issued and outstanding as of September 29, 2019 and December 30, 2018, respectively | 869                | 913               |
| Additional paid-in capital  | 1,095,382          | 1,107,582         |
| Accumulated deficit   | (783,093)          | (920,010)         |
| Accumulated other comprehensive loss  | (168,875)          | (142,755)         |
| Total Bloomin' Brands stockholders' equity  | 144,283            | 45,730            |
| Noncontrolling interests  | 7,291              | 9,087             |
| Total stockholders' equity  | 151,574            | 54,817            |
| Total liabilities and stockholders' equity  | \$ 3,468,947       | \$ 2,464,774      |

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

**BLOOMIN' BRANDS, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**  
**(IN THOUSANDS, EXCEPT PER SHARE DATA, UNAUDITED)**

|  | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| <b>Revenues</b>  |                      |                    |                         |                    |
| Restaurant sales   | \$ 951,816           | \$ 949,400         | \$ 3,069,145            | \$ 3,063,887       |
| Franchise and other revenues   | 15,328               | 15,621             | 48,060                  | 49,413             |
| Total revenues   | 967,144              | 965,021            | 3,117,205               | 3,113,300          |
| <b>Costs and expenses</b>  |                      |                    |                         |                    |
| Cost of sales  | 300,375              | 307,493            | 965,165                 | 982,415            |
| Labor and other related  | 288,552              | 289,023            | 908,780                 | 902,006            |
| Other restaurant operating   | 240,372              | 233,744            | 732,121                 | 725,468            |
| Depreciation and amortization  | 47,926               | 50,571             | 147,196                 | 151,473            |
| General and administrative   | 66,570               | 67,691             | 209,114                 | 212,516            |
| Provision for impaired assets and restaurant closings  | 1,391                | 3,962              | 6,917                   | 15,590             |
| Total costs and expenses   | 945,186              | 952,484            | 2,969,293               | 2,989,468          |
| Income from operations   | 21,958               | 12,537             | 147,912                 | 123,832            |
| Other income (expense), net  | 11                   | (1)                | (145)                   | (6)                |
| Interest expense, net  | (13,256)             | (11,600)           | (36,885)                | (33,229)           |
| Income before (benefit) provision for income taxes   | 8,713                | 936                | 110,882                 | 90,597             |
| (Benefit) provision for income taxes   | (660)                | (3,317)            | 6,051                   | (6,516)            |
| Net income   | 9,373                | 4,253              | 104,831                 | 97,113             |
| Less: net income attributable to noncontrolling interests  | 125                  | 181                | 2,262                   | 922                |
| Net income attributable to Bloomin' Brands   | \$ 9,248             | \$ 4,072           | \$ 102,569              | \$ 96,191          |
| <b>Net income</b>  |                      |                    |                         |                    |
| Net income   | \$ 9,373             | \$ 4,253           | \$ 104,831              | \$ 97,113          |
| <b>Other comprehensive (loss) income:</b>  |                      |                    |                         |                    |
| Foreign currency translation adjustment  | (10,133)             | (16,349)           | (12,854)                | (45,044)           |
| Unrealized (loss) gain on derivatives, net of tax  | (2,036)              | 37                 | (13,656)                | 1,221              |
| Reclassification of adjustment for loss (gain) on derivatives included in Net income, net of tax | 812                  | (51)               | 578                     | 328                |
| Comprehensive (loss) income  | (1,984)              | (12,110)           | 78,899                  | 53,618             |
| Less: comprehensive income attributable to noncontrolling interests                              | 297                  | 423                | 2,450                   | 1,504              |
| Comprehensive (loss) income attributable to Bloomin' Brands                                      | \$ (2,281)           | \$ (12,533)        | \$ 76,449               | \$ 52,114          |
| <b>Earnings per share:</b>   |                      |                    |                         |                    |
| Basic  | \$ 0.11              | \$ 0.04            | \$ 1.15                 | \$ 1.04            |
| Diluted  | \$ 0.11              | \$ 0.04            | \$ 1.14                 | \$ 1.02            |
| <b>Weighted average common shares outstanding:</b>   |                      |                    |                         |                    |
| Basic  | 86,843               | 92,202             | 89,484                  | 92,197             |
| Diluted  | 87,305               | 93,324             | 90,306                  | 94,489             |

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<br>PAID-IN CAPITAL | ACCUM-<br>ULATED<br>DEFICIT | ACCUMULATED<br>OTHER<br>COMPREHENSIVE LOSS | NON-CONTROLLING<br>INTERESTS | TOTAL      |
|   | SHARES                | AMOUNT |                               |                             |  |                              |            |
| Balance, June 30, 2019  | 86,827                | \$ 868 | \$ 1,099,598                  | \$ (792,341)                | \$ (157,346)                               | \$ 7,814                     | \$ 158,593 |
| Net income  | —                     | —      | —                             | 9,248                       | —  | 125                          | 9,373      |
| Other comprehensive (loss)<br>income, net of tax                          | —                     | —      | —                             | —                           | (11,529)                                   | 172                          | (11,357)   |
| Cash dividends declared, \$0.10<br>per common share                       | —                     | —      | (8,674)                       | —                           | —  | —                            | (8,674)    |
| Stock-based compensation  | —                     | —      | 4,613                         | —                           | —  | —                            | 4,613      |
| Common stock issued under<br>stock plans (1)                              | 29                    | 1      | (155)                         | —                           | —  | —                            | (154)      |
| Distributions to noncontrolling<br>interests                              | —                     | —      | —                             | —                           | —  | (1,221)                      | (1,221)    |
| Contributions from<br>noncontrolling interests                            | —                     | —      | —                             | —                           | —  | 401                          | 401        |
| Balance, September 29, 2019   | 86,856                | \$ 869 | \$ 1,095,382                  | \$ (783,093)                | \$ (168,875)                               | \$ 7,291                     | \$ 151,574 |
| Balance, December 30, 2018  | 91,272                | \$ 913 | \$ 1,107,582                  | \$ (920,010)                | \$ (142,755)                               | \$ 9,087                     | \$ 54,817  |
| Cumulative-effect from a<br>change in accounting principle,<br>net of tax | —                     | —      | —                             | 141,285                     | —  | —                            | 141,285    |
| Net income  | —                     | —      | —                             | 102,569                     | —  | 2,262                        | 104,831    |
| Other comprehensive (loss)<br>income, net of tax                          | —                     | —      | —                             | —                           | (26,154)                                   | 222                          | (25,932)   |
| Cash dividends declared, \$0.30<br>per common share                       | —                     | —      | (27,041)                      | —                           | —  | —                            | (27,041)   |
| Repurchase and retirement of<br>common stock                              | (5,469)               | (55)   | —                             | (106,937)                   | —  | —                            | (106,992)  |
| Stock-based compensation  | —                     | —      | 13,743                        | —                           | —  | —                            | 13,743     |
| Common stock issued under<br>stock plans (1)                              | 1,053                 | 11     | 1,255                         | —                           | —  | —                            | 1,266      |
| Purchase of noncontrolling<br>interests                                   | —                     | —      | (157)                         | —                           | 34   | 82                           | (41)       |
| Distributions to noncontrolling<br>interests                              | —                     | —      | —                             | —                           | —  | (5,228)                      | (5,228)    |
| Contributions from<br>noncontrolling interests                            | —                     | —      | —                             | —                           | —  | 866                          | 866        |
| Balance, September 29, 2019   | 86,856                | \$ 869 | \$ 1,095,382                  | \$ (783,093)                | \$ (168,875)                               | \$ 7,291                     | \$ 151,574 |

(CONTINUED...)

**BLOOMIN' BRANDS, INC.**

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

|  | BLOOMIN' BRANDS, INC. |               |                               |                             |  |                              |                  |
|--|-----------------------|---------------|-------------------------------|-----------------------------|--|------------------------------|------------------|
|  | COMMON STOCK          |               | ADDITIONAL<br>PAID-IN CAPITAL | ACCUM-<br>ULATED<br>DEFICIT | ACCUMULATED<br>OTHER<br>COMPREHENSIVE LOSS | NON-CONTROLLING<br>INTERESTS | TOTAL            |
|  | SHARES                | AMOUNT        |                               |                             |  |                              |                  |
| Balance, July 1, 2018                                  | 92,437                | \$ 924        | \$ 1,109,015                  | \$ (902,038)                | \$ (126,672)                               | \$ 10,241                    | \$ 91,470        |
| Net income   | —                     | —             | —                             | 4,072                       | —  | 188                          | 4,260            |
| Other comprehensive (loss) income, net of tax          | —                     | —             | —                             | —                           | (16,604)                                   | 241                          | (16,363)         |
| Cash dividends declared, \$0.09 per common share       | —                     | —             | (8,344)                       | —                           | —  | —                            | (8,344)          |
| Repurchase and retirement of common stock              | (967)                 | (9)           | —                             | (17,959)                    | —  | —                            | (17,968)         |
| Stock-based compensation                               | —                     | —             | 5,300                         | —                           | —  | —                            | 5,300            |
| Common stock issued under stock plans (1)              | 384                   | 4             | 2,672                         | —                           | —  | —                            | 2,676            |
| Change in the redemption value of redeemable interests | —                     | —             | (7)                           | —                           | —  | —                            | (7)              |
| Distributions to noncontrolling interests              | —                     | —             | —                             | —                           | —  | (1,133)                      | (1,133)          |
| Contributions from noncontrolling interests            | —                     | —             | —                             | —                           | —  | 251                          | 251              |
| Balance, September 30, 2018                            | <u>91,854</u>         | <u>\$ 919</u> | <u>\$ 1,108,636</u>           | <u>\$ (915,925)</u>         | <u>\$ (143,276)</u>                        | <u>\$ 9,788</u>              | <u>\$ 60,142</u> |
| Balance, December 31, 2017                             | 91,913                | \$ 919        | \$ 1,081,813                  | \$ (913,191)                | \$ (99,199)                                | \$ 10,889                    | \$ 81,231        |
| Net income   | —                     | —             | —                             | 96,191                      | —  | 1,251                        | 97,442           |
| Other comprehensive (loss) income, net of tax          | —                     | —             | —                             | —                           | (44,077)                                   | 582                          | (43,495)         |
| Cash dividends declared, \$0.27 per common share       | —                     | —             | (25,078)                      | —                           | —  | —                            | (25,078)         |
| Repurchase and retirement of common stock              | (4,371)               | (43)          | —                             | (98,925)                    | —  | —                            | (98,968)         |
| Stock-based compensation                               | —                     | —             | 16,478                        | —                           | —  | —                            | 16,478           |
| Common stock issued under stock plans (1)              | 4,312                 | 43            | 35,752                        | —                           | —  | —                            | 35,795           |
| Change in the redemption value of redeemable interests | —                     | —             | (329)                         | —                           | —  | —                            | (329)            |
| Distributions to noncontrolling interests              | —                     | —             | —                             | —                           | —  | (4,505)                      | (4,505)          |
| Contributions from noncontrolling interests            | —                     | —             | —                             | —                           | —  | 1,571                        | 1,571            |
| Balance, September 30, 2018                            | <u>91,854</u>         | <u>\$ 919</u> | <u>\$ 1,108,636</u>           | <u>\$ (915,925)</u>         | <u>\$ (143,276)</u>                        | <u>\$ 9,788</u>              | <u>\$ 60,142</u> |

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

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

**BLOOMIN' BRANDS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(DOLLARS IN THOUSANDS, UNAUDITED)

|   | THIRTY-NINE WEEKS ENDED |                    |
|---|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Cash flows provided by operating activities:                                  |                         |                    |
| Net income  | \$ 104,831              | \$ 97,113          |
| Adjustments to reconcile Net income to cash provided by operating activities: |                         |                    |
| Depreciation and amortization   | 147,196                 | 151,473            |
| Amortization of deferred discounts and issuance costs                         | 1,891                   | 1,930              |
| Amortization of deferred gift card sales commissions                          | 18,927                  | 20,151             |
| Provision for impaired assets and restaurant closings                         | 6,917                   | 15,590             |
| Non-cash operating lease costs  | 54,815                  | —                  |
| Stock-based and other non-cash compensation expense                           | 18,752                  | 19,692             |
| Deferred income tax benefit   | (1,982)                 | (1,318)            |
| Loss on sale of a business or subsidiary                                      | 206                     | —                  |
| Recognition of deferred gain on sale-leaseback transactions                   | —                       | (9,237)            |
| Gain on disposal of property, fixtures and equipment                          | (3,217)                 | (814)              |
| Other, net  | (6,818)                 | 2,991              |
| Change in assets and liabilities  | (160,592)               | (142,375)          |
| Net cash provided by operating activities                                     | 180,926                 | 155,196            |
| Cash flows used in investing activities:                                      |                         |                    |
| Proceeds from disposal of property, fixtures and equipment                    | 16,418                  | 10,453             |
| Proceeds from sale-leaseback transactions, net                                | 3,052                   | 11,332             |
| Capital expenditures  | (117,478)               | (146,288)          |
| Other investments, net  | 4,298                   | 200                |
| Net cash used in investing activities   | \$ (93,710)             | \$ (124,303)       |

(CONTINUED...)



**BLOOMIN' BRANDS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(DOLLARS IN THOUSANDS, UNAUDITED)

|  | THIRTY-NINE WEEKS ENDED |                    |
|--|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Cash flows used in financing activities:   |                         |                    |
| Proceeds from issuance of long-term debt, net  | \$ —                    | \$ 1,637           |
| Repayments of long-term debt   | (20,646)                | (20,164)           |
| Proceeds from borrowings on revolving credit facilities, net                                       | 533,300                 | 378,529            |
| Repayments of borrowings on revolving credit facilities  | (469,000)               | (329,700)          |
| Proceeds from the exercise of share-based compensation, net  | 1,266                   | 35,795             |
| Distributions to noncontrolling interests  | (5,228)                 | (4,505)            |
| Contributions from noncontrolling interests  | 866                     | 1,571              |
| Purchase of limited partnership and noncontrolling interests                                       | (41)                    | (1,619)            |
| Repayments of partner deposits and accrued partner obligations                                     | (12,928)                | (14,458)           |
| Repurchase of common stock   | (106,992)               | (98,968)           |
| Cash dividends paid on common stock  | (27,041)                | (25,078)           |
| Net cash used in financing activities  | <u>(106,444)</u>        | <u>(76,960)</u>    |
| Effect of exchange rate changes on cash and cash equivalents                                       | <u>(1,187)</u>          | <u>(4,861)</u>     |
| Net decrease in cash, cash equivalents and restricted cash   | <u>(20,415)</u>         | <u>(50,928)</u>    |
| Cash, cash equivalents and restricted cash as of the beginning of the period                       | <u>71,823</u>           | <u>129,543</u>     |
| Cash, cash equivalents and restricted cash as of the end of the period                             | <u>\$ 51,408</u>        | <u>\$ 78,615</u>   |
| Supplemental disclosures of cash flow information:   |                         |                    |
| Cash paid for interest   | \$ 35,855               | \$ 31,376          |
| Cash paid for income taxes, net of refunds   | 20,025                  | 9,696              |
| Supplemental disclosures of non-cash investing and financing activities:                           |                         |                    |
| Leased assets obtained in exchange for new operating lease liabilities                             | \$ 43,101               | \$ —               |
| Leased assets obtained in exchange for new finance lease liabilities                               | 200                     | —                  |
| Increase in liabilities from the acquisition of property, fixtures and equipment or capital leases | 2,655                   | 5,075              |

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

**BLOOMIN' BRANDS, INC.**

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

1. Description of the Business and Basis of Presentation

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

*Basis of Presentation* - The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for fair financial statement presentation for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 30, 2018.

*Recently Adopted Financial Accounting Standards* - On December 31, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2016-02: Leases (Topic 842) ("ASU No. 2016-02"), ASU No. 2018-01: Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842 ("ASU No. 2018-01"), and ASU No. 2018-11: Leases (Topic 842): Targeted Improvements ("ASU No. 2018-11"). ASU No. 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU No. 2018-01 allows an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the Company's adoption of ASU No. 2016-02. ASU No. 2018-11 allows for an additional transition method, which permits use of the effective date of adoption as the date of initial application of ASU No. 2016-02 without restating comparative period financial statements and provides entities with a practical expedient that allows entities to elect not to separate lease and non-lease components when certain conditions are met.

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

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

- (i) recording of right-of-use assets of \$1.3 billion and lease liabilities of \$1.5 billion;
- (ii) a credit to the beginning balance of Accumulated Deficit of \$190.4 million to derecognize deferred gains on sale-leaseback transactions and a debit to the beginning balance of Accumulated Deficit of \$49.2 million to derecognize the related deferred tax assets; and
- (iii) derecognition of existing debt obligations of \$19.6 million and existing fixed assets of \$16.1 million related to restaurant properties sold and leased back from third parties that previously did not qualify for sale accounting, with gains or losses associated with this change recognized in Accumulated Deficit.

**BLOOMIN' BRANDS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

Other restaurant operating expense increased during the thirteen and thirty-nine weeks ended September 29, 2019 from the adoption of ASU No. 2016-02 since the Company no longer recognizes the benefit of deferred gains on sale-leaseback transactions through its statements of operations over the corresponding lease term. During the thirteen and thirty-nine weeks ended September 30, 2018, the Company recognized \$3.1 million and \$9.2 million, respectively, of sale-leaseback deferred gain amortization.

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

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

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

*Recently Issued Financial Accounting Standards Not Yet Adopted* - In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("ASU No. 2016-13"), which requires measurement and recognition of losses for financial instruments under the current expected credit loss model ("CECL model") versus incurred losses under current guidance. ASU No. 2016-13 and its related amendments ("the new credit loss standard") is effective for the Company in the first quarter of 2020, with early adoption permitted. The Company is developing measurement processes and related controls to ensure compliance with the new credit loss standard. The allowance for credit losses is expected to increase under the CECL model, however, evaluation of the impact of adopting the new credit loss standard on the Company's Consolidated Financial Statements is still ongoing.

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," ("ASU No. 2018-15"), which clarifies the accounting for implementation costs in cloud computing arrangements. ASU No. 2018-15 is effective for the Company in the first quarter of 2020, and early adoption is permitted. The Company expects its evaluation of ASU No. 2018-15 to be completed during the fourth quarter of 2019. At this time, the adoption of ASU No. 2018-15 is not expected to have a material impact on the Company's Consolidated Financial Statements and related disclosures.

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

**BLOOMIN' BRANDS, INC.**

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

2. Revenue Recognition

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

| (dollars in thousands)              | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|-------------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                     | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| <b>Revenues</b>                     |                      |                    |                         |                    |
| Restaurant sales                    | \$ 951,816           | \$ 949,400         | \$ 3,069,145            | \$ 3,063,887       |
| <b>Franchise and other revenues</b> |                      |                    |                         |                    |
| Franchise revenue                   | \$ 12,426            | \$ 12,534          | \$ 38,980               | \$ 39,883          |
| Other revenue                       | 2,902                | 3,087              | 9,080                   | 9,530              |
| Total Franchise and other revenues  | \$ 15,328            | \$ 15,621          | \$ 48,060               | \$ 49,413          |
| Total revenues                      | \$ 967,144           | \$ 965,021         | \$ 3,117,205            | \$ 3,113,300       |

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

| (dollars in thousands)                | THIRTEEN WEEKS ENDED |                   |                    |                   |
|---------------------------------------|----------------------|-------------------|--------------------|-------------------|
|                                       | SEPTEMBER 29, 2019   |                   | SEPTEMBER 30, 2018 |                   |
|                                       | RESTAURANT SALES     | FRANCHISE REVENUE | RESTAURANT SALES   | FRANCHISE REVENUE |
| <b>U.S.</b>                           |                      |                   |                    |                   |
| Outback Steakhouse                    | \$ 499,903           | \$ 9,143          | \$ 498,390         | \$ 9,583          |
| Carrabba's Italian Grill (1)          | 137,912              | 592               | 148,513            | 154               |
| Bonefish Grill                        | 132,267              | 186               | 135,691            | 218               |
| Fleming's Prime Steakhouse & Wine Bar | 64,542               | —                 | 64,652             | —                 |
| Other                                 | 1,129                | —                 | 1,591              | —                 |
| U.S. Total                            | \$ 835,753           | \$ 9,921          | \$ 848,837         | \$ 9,955          |
| <b>International</b>                  |                      |                   |                    |                   |
| Outback Steakhouse Brazil             | \$ 94,430            | \$ —              | \$ 81,193          | \$ —              |
| Other                                 | 21,633               | 2,505             | 19,370             | 2,579             |
| International Total                   | \$ 116,063           | \$ 2,505          | \$ 100,563         | \$ 2,579          |
| Total                                 | \$ 951,816           | \$ 12,426         | \$ 949,400         | \$ 12,534         |

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

**BLOOMIN' BRANDS, INC.**

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

| (dollars in thousands)                | THIRTY-NINE WEEKS ENDED |                   |                    |                   |
|---------------------------------------|-------------------------|-------------------|--------------------|-------------------|
|                                       | SEPTEMBER 29, 2019      |                   | SEPTEMBER 30, 2018 |                   |
|                                       | RESTAURANT SALES        | FRANCHISE REVENUE | RESTAURANT SALES   | FRANCHISE REVENUE |
| U.S.                                  |                         |                   |                    |                   |
| Outback Steakhouse                    | \$ 1,613,723            | \$ 29,330         | \$ 1,591,588       | \$ 30,814         |
| Carrabba's Italian Grill (1)          | 461,387                 | 1,389             | 485,894            | 458               |
| Bonefish Grill                        | 436,766                 | 596               | 441,594            | 691               |
| Fleming's Prime Steakhouse & Wine Bar | 221,965                 | —                 | 218,954            | —                 |
| Other                                 | 3,341                   | —                 | 4,088              | —                 |
| U.S. Total                            | \$ 2,737,182            | \$ 31,315         | \$ 2,742,118       | \$ 31,963         |
| International                         |                         |                   |                    |                   |
| Outback Steakhouse Brazil             | \$ 267,980              | \$ —              | \$ 264,125         | \$ —              |
| Other                                 | 63,983                  | 7,665             | 57,644             | 7,920             |
| International Total                   | \$ 331,963              | \$ 7,665          | \$ 321,769         | \$ 7,920          |
| Total                                 | \$ 3,069,145            | \$ 38,980         | \$ 3,063,887       | \$ 39,883         |

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

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

| (dollars in thousands)                | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|---------------------------------------|--------------------|-------------------|
| Other current assets, net             |                    |                   |
| Deferred gift card sales commissions  | \$ 9,111           | \$ 16,431         |
| Unearned revenue                      |                    |                   |
| Deferred gift card revenue            | \$ 207,059         | \$ 333,794        |
| Deferred loyalty revenue              | 9,670              | 8,424             |
| Deferred franchise fees - current     | 482                | 490               |
| Total Unearned revenue                | \$ 217,211         | \$ 342,708        |
| Other long-term liabilities, net      |                    |                   |
| Deferred franchise fees - non-current | \$ 4,657           | \$ 4,531          |

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

| (dollars in thousands)                              | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Balance, beginning of period                        | \$ 10,488            | \$ 9,175           | \$ 16,431               | \$ 16,231          |
| Deferred gift card sales commissions amortization   | (4,838)              | (4,932)            | (18,927)                | (20,151)           |
| Deferred gift card sales commissions capitalization | 3,886                | 4,029              | 13,118                  | 13,287             |
| Other   | (425)                | (362)              | (1,511)                 | (1,457)            |
| Balance, end of period                              | \$ 9,111             | \$ 7,910           | \$ 9,111                | \$ 7,910           |

**BLOOMIN' BRANDS, INC.**

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

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

| (dollars in thousands)       | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                              | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Balance, beginning of period | \$ 227,372           | \$ 213,286         | \$ 333,794              | \$ 323,628         |
| Gift card sales              | 52,059               | 54,477             | 183,189                 | 189,599            |
| Gift card redemptions        | (68,880)             | (71,146)           | (295,281)               | (304,198)          |
| Gift card breakage           | (3,492)              | (3,334)            | (14,643)                | (15,746)           |
| Balance, end of period       | \$ 207,059           | \$ 193,283         | \$ 207,059              | \$ 193,283         |

3. Disposals

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

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

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

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 |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Impairment losses                                     |                      |                    |                         |                    |
| U.S.  | \$ 1,548             | \$ 1,330           | \$ 5,177                | \$ 1,725           |
| International   | —                    | —                  | 1,785                   | 6,597              |
| Total impairment losses                               | \$ 1,548             | \$ 1,330           | \$ 6,962                | \$ 8,322           |
| Restaurant closure expenses                           |                      |                    |                         |                    |
| U.S.  | \$ (196)             | \$ 2,650           | \$ (101)                | \$ 3,672           |
| International   | 39                   | (18)               | 56                      | 3,596              |
| Total restaurant closure expenses                     | \$ (157)             | \$ 2,632           | \$ (45)                 | \$ 7,268           |
| Provision for impaired assets and restaurant closings | \$ 1,391             | \$ 3,962           | \$ 6,917                | \$ 15,590          |

*International Restructuring* - During the thirty-nine weeks ended September 29, 2019 and September 30, 2018, the Company recognized asset impairment and closure charges of \$1.8 million and \$9.1 million, respectively, related to the restructuring of certain international markets, including Puerto Rico and China.

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

**BLOOMIN' BRANDS, INC.**

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

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

| (dollars in thousands)           | THIRTY-NINE WEEKS ENDED |         |
|----------------------------------|-------------------------|---------|
|                                  | SEPTEMBER 29, 2019      |         |
| Balance, beginning of the period | \$                      | 18,094  |
| Additions (1)                    |                         | 1,288   |
| Cash payments                    |                         | (4,577) |
| Accretion                        |                         | 965     |
| Adjustments                      |                         | (556)   |
| Balance, end of the period (2)   | \$                      | 15,214  |

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

(2) As of September 29, 2019, the Company had exit-related accruals related to certain closure initiatives of \$3.1 million recorded in Accrued and other current liabilities and \$12.1 million recorded in Non-current operating lease liabilities on its Consolidated Balance Sheet.

*Annual Goodwill and Intangible Asset Impairment Assessment* - The Company performed its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during the second fiscal quarters of 2019 and 2018. The Company's 2019 assessment utilized a qualitative assessment and its 2018 assessment utilized a quantitative approach. In connection with these assessments, the Company did not record any impairment charges.

**5. Earnings Per Share**

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

| (in thousands, except per share data)              | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Net income attributable to Bloomin' Brands         | \$ 9,248             | \$ 4,072           | \$ 102,569              | \$ 96,191          |
| Basic weighted average common shares outstanding   | 86,843               | 92,202             | 89,484                  | 92,197             |
| Effect of diluted securities:                      |                      |                    |                         |                    |
| Stock options                                      | 272                  | 799                | 541                     | 1,870              |
| Nonvested restricted stock units                   | 190                  | 323                | 249                     | 409                |
| Nonvested performance-based share units            | —                    | —                  | 32                      | 13                 |
| Diluted weighted average common shares outstanding | 87,305               | 93,324             | 90,306                  | 94,489             |
| Basic earnings per share                           | \$ 0.11              | \$ 0.04            | \$ 1.15                 | \$ 1.04            |
| Diluted earnings per share                         | \$ 0.11              | \$ 0.04            | \$ 1.14                 | \$ 1.02            |

Securities outstanding not included in the computation of earnings per share because their effect was antidilutive were as follows, for the periods indicated:

| (shares in thousands)                   | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Stock options                           | 5,408                | 3,802              | 4,336                   | 2,628              |
| Nonvested restricted stock units        | 209                  | 259                | 210                     | 129                |
| Nonvested performance-based share units | 337                  | 214                | 309                     | 191                |

**BLOOMIN' BRANDS, INC.**

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

6. Stock-based Compensation Plans

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

| (dollars in thousands)        | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|-------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                               | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Stock options                 | \$ 1,316             | \$ 1,533           | \$ 3,888                | \$ 5,059           |
| Restricted stock units        | 2,389                | 2,323              | 6,548                   | 7,110              |
| Performance-based share units | 848                  | 1,309              | 3,105                   | 3,779              |
|                               | <u>\$ 4,553</u>      | <u>\$ 5,165</u>    | <u>\$ 13,541</u>        | <u>\$ 15,948</u>   |

During the thirty-nine weeks ended September 29, 2019, the Company made grants of 1.2 million stock options, 0.6 million time-based restricted stock units and 0.2 million performance-based share units.

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

| Assumptions:                                      | THIRTY-NINE WEEKS ENDED |                    |
|---|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Weighted-average risk-free interest rate (1)      | 2.34%                   | 2.66%              |
| Dividend yield (2)                                | 1.94%                   | 1.50%              |
| Expected term (3)                                 | 4.8 years               | 5.8 years          |
| Weighted-average volatility (4)                   | 31.05%                  | 32.76%             |
| Weighted-average grant date fair value per option | \$ 5.07                 | \$ 7.23            |

(1) Risk-free interest rate is the U.S. Treasury yield curve in effect as of the grant date for periods within the expected term of the option.

(2) Dividend yield is the level of dividends expected to be paid on the Company's common stock over the expected term of the option.

(3) Expected term represents the period of time that the options are expected to be outstanding. The Company estimates the expected term based on historical exercise experience for its stock options.

(4) Based on the historical volatility of the Company's stock.

Restricted stock units granted prior to 2019 generally vest over a period of four years and restricted stock units granted after 2018 generally vest over a period of three years, in an equal number of shares each year.

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of September 29, 2019:

|                               | UNRECOGNIZED<br>COMPENSATION EXPENSE<br>(dollars in thousands) | REMAINING WEIGHTED-<br>AVERAGE VESTING<br>PERIOD (in years) |
|-------------------------------|--|---|
| Stock options                 | \$ 9,115   | 2.1   |
| Restricted stock units        | \$ 16,848  | 2.2   |
| Performance-based share units | \$ 7,003   | 1.4   |



**BLOOMIN' BRANDS, INC.**

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

7. Other Current Assets, Net

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

| (dollars in thousands)                 | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|--|--------------------|-------------------|
| Prepaid expenses                       | \$ 23,446          | \$ 38,117         |
| Accounts receivable - gift cards, net  | 9,577              | 91,242            |
| Accounts receivable - vendors, net     | 12,891             | 10,029            |
| Accounts receivable - franchisees, net | 2,327              | 1,303             |
| Accounts receivable - other, net       | 20,063             | 19,688            |
| Deferred gift card sales commissions   | 9,111              | 16,431            |
| Assets held for sale                   | 6,400              | 5,143             |
| Other current assets, net              | 2,982              | 8,895             |
|  | <u>\$ 86,797</u>   | <u>\$ 190,848</u> |

8. Accrued and Other Current Liabilities

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

| (dollars in thousands)                               | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|--|--------------------|-------------------|
| Accrued rent and current operating lease liabilities | \$ 173,146         | \$ 2,850          |
| Accrued payroll and other compensation               | 95,366             | 101,249           |
| Accrued insurance                                    | 22,189             | 22,055            |
| Other current liabilities                            | 96,316             | 120,499           |
|  | <u>\$ 387,017</u>  | <u>\$ 246,653</u> |

9. Long-term Debt, Net

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

| (dollars in thousands)                             | SEPTEMBER 29, 2019     |               | DECEMBER 30, 2018      |                |
|--|------------------------|---------------|------------------------|----------------|
|  | OUTSTANDING<br>BALANCE | INTEREST RATE | OUTSTANDING<br>BALANCE | INTEREST RATE  |
| Senior Secured Credit Facility:                    |                        |               |                        |                |
| Term loan A (1)                                    | \$ 456,250             | 3.80%         | \$ 475,000             | 4.14%          |
| Revolving credit facility (1)                      | 663,800                | 3.79%         | 599,500                | 4.17%          |
| Total Senior Secured Credit Facility               | <u>\$ 1,120,050</u>    |               | <u>\$ 1,074,500</u>    |                |
| Finance lease liabilities                          | 2,702                  |               | 3,297                  |                |
| Financing obligations                              | —                      |               | 19,562                 | 7.58% to 7.82% |
| Other  | 50                     | 2.18%         | 918                    | 0.00% to 2.18% |
| Less: unamortized debt discount and issuance costs | (2,863)                |               | (3,502)                |                |
| Total debt, net                                    | <u>\$ 1,119,939</u>    |               | <u>\$ 1,094,775</u>    |                |
| Less: current portion of long-term debt            | (26,548)               |               | (27,190)               |                |
| Long-term debt, net                                | <u>\$ 1,093,391</u>    |               | <u>\$ 1,067,585</u>    |                |

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

*Debt Covenants* - As of September 29, 2019 and December 30, 2018, the Company was in compliance with its debt covenants.

**BLOOMIN' BRANDS, INC.**

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

10. Other Long-term Liabilities, Net

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

| (dollars in thousands)  | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|---|--------------------|-------------------|
| Accrued insurance liability   | \$ 34,028          | \$ 33,771         |
| Unfavorable leases (1)  | —                  | 32,120            |
| Chef and Restaurant Managing Partner deferred compensation obligations and deposits | 51,604             | 64,766            |
| Other long-term liabilities   | 58,806             | 60,876            |
|   | <u>\$ 144,438</u>  | <u>\$ 191,533</u> |

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

11. Stockholders' Equity

*Share Repurchases* - On February 12, 2019, the Company's Board of Directors (the "Board") canceled the remaining \$36.0 million of authorization under the 2018 Share Repurchase Program and approved a new \$150.0 million authorization (the "2019 Share Repurchase Program"). The 2019 Share Repurchase Program will expire on August 12, 2020. As of September 29, 2019, \$43.0 million remained available for repurchase under the 2019 Share Repurchase Program. Following is a summary of the shares repurchased under the Company's share repurchase program during fiscal year 2019:

| (in thousands, except per share data) | NUMBER OF SHARES | AVERAGE<br>REPURCHASE PRICE<br>PER SHARE | AMOUNT     |
|---------------------------------------|------------------|--|------------|
| Second fiscal quarter                 | 5,469            | \$ 19.56                                 | \$ 106,992 |

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

| (in thousands, except per share data)  | DIVIDENDS PER<br>SHARE | AMOUNT           |
|--|------------------------|------------------|
| First fiscal quarter                   | \$ 0.10                | \$ 9,140         |
| Second fiscal quarter                  | 0.10                   | 9,227            |
| Third fiscal quarter                   | 0.10                   | 8,674            |
| Total cash dividends declared and paid | <u>\$ 0.30</u>         | <u>\$ 27,041</u> |

In October 2019, the Board declared a quarterly cash dividend of \$0.10 per share, payable on November 27, 2019, to shareholders of record at the close of business on November 18, 2019.

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

| (dollars in thousands)                     | SEPTEMBER 29, 2019  | DECEMBER 30, 2018   |
|--|---------------------|---------------------|
| Foreign currency translation adjustment    | \$ (148,191)        | \$ (135,149)        |
| Unrealized loss on derivatives, net of tax | (20,684)            | (7,606)             |
| Accumulated other comprehensive loss       | <u>\$ (168,875)</u> | <u>\$ (142,755)</u> |

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Following are the components of Other comprehensive loss attributable to Bloomin' Brands for the periods indicated:

| (dollars in thousands)  | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Foreign currency translation adjustment   | \$ (10,305)          | \$ (16,591)        | \$ (13,042)             | \$ (45,626)        |
| Unrealized (loss) gain on derivatives, net of tax (1)   | \$ (2,036)           | \$ 38              | \$ (13,656)             | \$ 1,221           |
| Reclassification of adjustments for loss (gain) on derivatives included in Net income, net of tax (2) | 812                  | (51)               | 578                     | 328                |
| Total unrealized (loss) gain on derivatives, net of tax   | \$ (1,224)           | \$ (13)            | \$ (13,078)             | \$ 1,549           |
| Other comprehensive loss attributable to Bloomin' Brands  | \$ (11,529)          | \$ (16,604)        | \$ (26,120)             | \$ (44,077)        |

- (1) Unrealized (loss) gain on derivatives is net of tax of \$(0.7) million for the thirteen weeks ended September 29, 2019 and \$(4.7) million and \$0.4 million for the thirty-nine weeks ended September 29, 2019 and September 30, 2018, respectively.
- (2) Reclassifications of adjustments for loss (gain) on derivatives are net of tax. See Note 12 - *Derivative Instruments and Hedging Activities* for the tax impact of reclassifications.

**12. Derivative Instruments and Hedging Activities**

*Cash Flow Hedges of Interest Rate Risk* - On October 24, 2018 and October 25, 2018, the Company entered into variable-to-fixed interest rate swap agreements with 12 counterparties to hedge a portion of the cash flows of the Company's variable rate debt. The swap agreements have an aggregate notional amount of \$550.0 million and mature on November 30, 2022. Under the terms of the swap agreements, the Company pays a weighted-average fixed rate of 3.04% on the notional amount and receives payments from the counterparty based on the one-month LIBOR rate.

The Company's swap agreements have been designated and qualify as cash flow hedges, are recognized on its Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. The Company estimates \$7.7 million will be reclassified to interest expense over the next 12 months. The following table presents the fair value and classification of the Company's swap agreements, as of the periods indicated:

| (dollars in thousands)                                       | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 | CONSOLIDATED BALANCE SHEET            |
|--|--------------------|-------------------|---------------------------------------|
|  |                    |                   | CLASSIFICATION                        |
| Interest rate swaps - asset (1)                              | \$ —               | \$ 765            | Other current assets, net             |
| Interest rate swaps - liability                              | \$ 6,860           | \$ 1,393          | Accrued and other current liabilities |
| Interest rate swaps - liability                              | 21,116             | 9,723             | Other long-term liabilities, net      |
| Total fair value of derivative instruments - liabilities (1) | \$ 27,976          | \$ 11,116         |                                       |

- (1) See Note 14 - *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 for the periods indicated:

| (dollars in thousands)  | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Interest rate swap (expense) benefit recognized in Interest expense, net        | \$ (1,095)           | \$ 68              | \$ (779)                | \$ (442)           |
| Income tax benefit (expense) recognized in (Benefit) provision for income taxes | 283                  | (17)               | 201                     | 114                |
| Total effects of the interest rate swaps on Net income                          | \$ (812)             | \$ 51              | \$ (578)                | \$ (328)           |

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

**BLOOMIN' BRANDS, INC.**

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contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. As of September 29, 2019, all counterparties to the interest rate swaps had performed in accordance with their contractual obligations.

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

As of September 29, 2019 and December 30, 2018, 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 \$28.6 million and \$10.5 million, respectively. As of September 29, 2019 and December 30, 2018, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of September 29, 2019 and December 30, 2018, it could have been required to settle its obligations under the agreements at their termination value of \$28.6 million and \$10.5 million, respectively.

13. Leases

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

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

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

| (dollars in thousands)                  | CONSOLIDATED BALANCE SHEET CLASSIFICATION | SEPTEMBER 29, 2019  |
|---|---|---------------------|
| Operating lease right-of-use assets     | Operating lease right-of-use assets       | \$ 1,262,449        |
| Finance lease right-of-use assets (1)   | Property, fixtures and equipment, net     | 2,419               |
| Total lease assets, net                 |   | <u>\$ 1,264,868</u> |
| Current operating lease liabilities (2) | Accrued and other current liabilities     | \$ 170,849          |
| Current finance lease liabilities       | Current portion of long-term debt         | 1,498               |
| Non-current operating lease liabilities | Non-current operating lease liabilities   | 1,273,904           |
| Non-current finance lease liabilities   | Long-term debt, net                       | 1,204               |
| Total lease liabilities                 |   | <u>\$ 1,447,455</u> |

(1) Net of accumulated amortization of \$1.0 million.

(2) Excludes accrued contingent percentage rent.

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

| (dollars in thousands)        | CONSOLIDATED INCOME STATEMENT CLASSIFICATION | THIRTEEN WEEKS ENDED<br>SEPTEMBER 29, 2019 | THIRTY-NINE WEEKS<br>ENDED<br>SEPTEMBER 29, 2019 |
|-------------------------------|--|--|--|
| Operating leases (1)          | Other restaurant operating                   | \$ 45,948                                  | \$ 136,260                                       |
| Variable lease cost           | Other restaurant operating                   | 933  | 2,498  |
| Finance leases                |  |  |  |
| Amortization of leased assets | Depreciation and amortization                | 365  | 1,049  |
| Interest on lease liabilities | Interest expense, net                        | 64   | 209  |
| Sublease revenue (2)          | Franchise and other revenues                 | (1,747)                                    | (4,853)  |
| Lease costs, net (3)          |  | <u>\$ 45,563</u>                           | <u>\$ 135,163</u>                                |

(1) Excludes rent expense for office facilities and Company-owned closed or subleased properties for the thirteen and thirty-nine weeks ended September 29, 2019 of \$3.8 million and \$11.0 million, respectively, which is included in General and administrative expense and certain supply chain related rent expense of \$0.3 million and \$0.9 million, respectively, which is included in Cost of sales.

(2) Excludes rental income from Company-owned properties for the thirteen and thirty-nine weeks ended September 29, 2019 of \$0.4 million and \$1.8 million, respectively.

(3) During the thirteen and thirty-nine weeks ended September 30, 2018, the Company recorded rent expense of \$45.8 million and \$138.8 million, respectively, including variable rent expense of \$1.1 million and \$3.4 million, respectively, and sublease revenue of \$1.6 million and \$4.7 million, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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As of September 29, 2019, future minimum lease payments and sublease revenues under non-cancelable leases are as follows:

| (dollars in thousands)                      | OPERATING<br>LEASES | FINANCE<br>LEASES | SUBLEASE<br>REVENUES |
|---|---------------------|-------------------|----------------------|
| Year 1 (1)                                  | \$ 178,221          | \$ 1,558          | \$ (6,126)           |
| Year 2                                      | 191,533             | 1,051             | (6,239)              |
| Year 3                                      | 186,926             | 331               | (6,039)              |
| Year 4                                      | 183,602             | 4                 | (5,980)              |
| Year 5                                      | 177,890             | 4                 | (5,871)              |
| Thereafter                                  | 1,729,022           | 2                 | (64,988)             |
| Total minimum lease payments (receipts) (2) | <u>\$ 2,647,194</u> | <u>\$ 2,950</u>   | <u>\$ (95,243)</u>   |
| Less: Interest                              | <u>(1,202,441)</u>  | <u>(248)</u>      |                      |
| Present value of future lease payments      | <u>\$ 1,444,753</u> | <u>\$ 2,702</u>   |                      |

(1) Net of operating lease prepaid rent of \$14.7 million.

(2) Includes \$1.0 billion related to options to extend operating lease terms and excludes \$116.3 million of signed operating leases that have not yet commenced.

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

|  | SEPTEMBER 29, 2019 |
|--|--------------------|
| Weighted-average remaining lease term (1): |                    |
| Operating leases                           | 14.6 years         |
| Finance leases                             | 2.1 years          |
| Weighted-average discount rate (2):        |                    |
| Operating leases                           | 8.56%              |
| Finance leases                             | 9.07%              |

(1) Includes lease renewal options that are reasonably certain of exercise.

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

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

| (dollars in thousands)   | THIRTY-NINE WEEKS ENDED<br>SEPTEMBER 29, 2019 |         |
|--|---|---------|
| Cash flows from operating activities:  |   |         |
| Cash paid for amounts included in the measurement of operating lease liabilities | \$  | 143,630 |

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

| (dollars in thousands)                   | SEPTEMBER 29, 2019 |              |
|--|--------------------|--------------|
| Land                                     | \$                 | 10,585       |
| Buildings and building improvements      | \$                 | 12,823       |
| Less: accumulated depreciation           |                    | (6,239)      |
| Buildings and building improvements, net | <u>\$</u>          | <u>6,584</u> |

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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14. Fair Value Measurements

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

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

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

| (dollars in thousands)                                   | SEPTEMBER 29, 2019 |                  |                  | DECEMBER 30, 2018 |                  |                  |
|--|--------------------|------------------|------------------|-------------------|------------------|------------------|
|  | TOTAL              | LEVEL 1          | LEVEL 2          | TOTAL             | LEVEL 1          | LEVEL 2          |
| <b>Assets:</b>   |                    |                  |                  |                   |                  |                  |
| Cash equivalents:  |                    |                  |                  |                   |                  |                  |
| Fixed income funds                                       | \$ 1,521           | \$ 1,521         | \$ —             | \$ 627            | \$ 627           | \$ —             |
| Money market funds                                       | 8,617              | 8,617            | —                | 17,827            | 17,827           | —                |
| Other current assets, net:                               |                    |                  |                  |                   |                  |                  |
| Derivative instruments - interest rate swaps             | —                  | —                | —                | 765               | —                | 765              |
| <b>Total asset recurring fair value measurements</b>     | <b>\$ 10,138</b>   | <b>\$ 10,138</b> | <b>\$ —</b>      | <b>\$ 19,219</b>  | <b>\$ 18,454</b> | <b>\$ 765</b>    |
| <b>Liabilities:</b>                                      |                    |                  |                  |                   |                  |                  |
| Accrued and other current liabilities:                   |                    |                  |                  |                   |                  |                  |
| Derivative instruments - interest rate swaps             | \$ 6,860           | \$ —             | \$ 6,860         | \$ 1,393          | \$ —             | \$ 1,393         |
| Other long-term liabilities:                             |                    |                  |                  |                   |                  |                  |
| Derivative instruments - interest rate swaps             | 21,116             | —                | 21,116           | 9,723             | —                | 9,723            |
| <b>Total liability recurring fair value measurements</b> | <b>\$ 27,976</b>   | <b>\$ —</b>      | <b>\$ 27,976</b> | <b>\$ 11,116</b>  | <b>\$ —</b>      | <b>\$ 11,116</b> |

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

| FINANCIAL INSTRUMENT                      | METHODS AND ASSUMPTIONS  |
|---|--|
| Fixed income funds and Money market funds | Carrying value approximates fair value because maturities are less than three months.  |
| Derivative instruments                    | The Company's derivative instruments include interest rate swaps. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The Company also considers its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. As of September 29, 2019 and December 30, 2018, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. |

**BLOOMIN' BRANDS, INC.**

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

| (dollars in thousands)                  | THIRTEEN WEEKS ENDED |                  |                    |                  |
|---|----------------------|------------------|--------------------|------------------|
|   | SEPTEMBER 29, 2019   |                  | SEPTEMBER 30, 2018 |                  |
|   | CARRYING VALUE       | TOTAL IMPAIRMENT | CARRYING VALUE (1) | TOTAL IMPAIRMENT |
| Assets held for sale (1)                | \$ 900               | \$ 100           | \$ 2,030           | \$ 61            |
| Operating lease right-of-use assets (2) | 293                  | 622              | —                  | —                |
| Property, fixtures and equipment (2)    | 395                  | 826              | 1,995              | 1,269            |
|   | <u>\$ 1,588</u>      | <u>\$ 1,548</u>  | <u>\$ 4,025</u>    | <u>\$ 1,330</u>  |

| (dollars in thousands)                  | THIRTY-NINE WEEKS ENDED |                  |                    |                  |
|---|-------------------------|------------------|--------------------|------------------|
|   | SEPTEMBER 29, 2019      |                  | SEPTEMBER 30, 2018 |                  |
|   | CARRYING VALUE          | TOTAL IMPAIRMENT | CARRYING VALUE (1) | TOTAL IMPAIRMENT |
| Assets held for sale (1)                | \$ 2,049                | \$ 315           | \$ 2,080           | \$ 111           |
| Operating lease right-of-use assets (2) | 2,649                   | 2,988            | —                  | —                |
| Property, fixtures and equipment (2)    | 1,351                   | 3,659            | 3,375              | 8,211            |
|   | <u>\$ 6,049</u>         | <u>\$ 6,962</u>  | <u>\$ 5,455</u>    | <u>\$ 8,322</u>  |

- (1) Carrying value after impairment approximates fair value with all assets measured using third-party market appraisals or executed sales contracts (Level 2).  
(2) Carrying value after impairment approximates fair value. Carrying values for Operating lease right-of-use assets and Property, fixtures and equipment measured using Level 3 inputs to estimate fair value totaled \$0.3 million and \$0.4 million, respectively, during the thirteen weeks ended September 29, 2019 and \$2.4 million and \$1.3 million, respectively, during the thirty-nine weeks ended September 29, 2019. Level 2 inputs were used to estimate the fair value for all other assets measured in the periods presented. Third-party market appraisals (Level 2) and discounted cash flow models (Level 3) were used to estimate fair value.

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

| (dollars in thousands)          | SEPTEMBER 29, 2019 |                    | DECEMBER 30, 2018 |                    |
|---------------------------------|--------------------|--------------------|-------------------|--------------------|
|                                 | CARRYING VALUE     | FAIR VALUE LEVEL 2 | CARRYING VALUE    | FAIR VALUE LEVEL 2 |
| Senior Secured Credit Facility: |                    |                    |                   |                    |
| Term loan A                     | \$ 456,250         | \$ 456,250         | \$ 475,000        | \$ 464,906         |
| Revolving credit facility       | \$ 663,800         | \$ 663,800         | \$ 599,500        | \$ 590,508         |



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## 15. Income Taxes

| (dollars in thousands)               | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--------------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                      | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| (Benefit) provision for income taxes | \$ (660)             | \$ (3,317)         | \$ 6,051                | \$ (6,516)         |
| Effective income tax rate            | (7.6)%               | (NM)               | 5.5%                    | (7.2)%             |

NM Not meaningful.

The decrease in the benefit for income taxes for the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 was primarily due to favorable discrete items recorded in the thirteen weeks ended September 30, 2018 and an increase in pre-tax book income in 2019 relative to 2018.

The effective income tax rate for the thirty-nine weeks ended September 29, 2019 increased by 12.7 percentage points as compared to the thirty-nine weeks ended September 30, 2018. The increase was primarily due to favorable discrete items recorded in the thirty-nine weeks ended September 30, 2018, which included excess tax benefits from equity-based compensation arrangements.

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen weeks ended September 29, 2019 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips and changes to the estimate of the forecasted full-year 2019 effective tax rate relative to prior quarters. The effective income tax rate for the thirty-nine weeks ended September 29, 2019 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips.

## 16. Commitments and Contingencies

*Litigation and Other Matters* - The Company had \$2.7 million and \$2.8 million of liabilities recorded for various legal matters as of September 29, 2019 and December 30, 2018, respectively.

The Company is subject to legal proceedings, claims and liabilities, such as liquor liability, slip and fall cases, wage-and-hour and other employment-related litigation, which arise in the ordinary course of business and are generally covered by insurance if they exceed specified retention or deductible amounts. In the opinion of management, the amount of ultimate liability with respect to those actions will not have a material adverse impact on the Company's financial position or results of operations and cash flows.

*Lease Guarantees* - The Company assigned its interest, and is contingently liable, under certain real estate leases. These leases have varying terms, the latest of which expires in 2032. As of September 29, 2019, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately \$32.8 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of September 29, 2019 was approximately \$24.6 million. In the event of default, the indemnity clauses in the Company's purchase and sale agreements govern its ability to pursue and recover damages incurred. The Company believes the financial strength and operating history of the lessees' significantly reduces the risk that it will be required to make payments under these leases. Accordingly, no liability has been recorded.

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17. Segment Reporting

The Company considers its restaurant concepts and international markets as operating segments, which reflects how the Company manages its business, reviews operating performance and allocates resources. Resources are allocated and performance is assessed by the Company's 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<br>Carrabba's Italian Grill<br>Bonefish Grill<br>Fleming's Prime Steakhouse & Wine Bar | United States of America |
| International          | Outback Steakhouse  | Brazil, Hong Kong/China  |
|                        | Carrabba's Italian Grill (Abbraccio)  | Brazil                   |

(1) Includes franchise locations.

Segment accounting policies are the same as those described in Note 2 - *Summary of Significant Accounting Policies* in the Company's Annual Report on Form 10-K for the year ended December 30, 2018. Revenues for all segments include only transactions with customers and exclude intersegment revenues. Excluded from Income from operations for U.S. and international are certain legal and corporate costs not directly related to the performance of the segments, most stock-based compensation expenses and certain bonus expenses.

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

| (dollars in thousands) | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|------------------------|----------------------|--------------------|-------------------------|--------------------|
|                        | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Total revenues         |                      |                    |                         |                    |
| U.S.                   | \$ 848,444           | \$ 861,493         | \$ 2,777,170            | \$ 2,782,555       |
| International          | 118,700              | 103,528            | 340,035                 | 330,745            |
| Total revenues         | \$ 967,144           | \$ 965,021         | \$ 3,117,205            | \$ 3,113,300       |

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

| (dollars in thousands)                             | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Segment income from operations                     |                      |                    |                         |                    |
| U.S.   | \$ 50,318            | \$ 44,598          | \$ 242,167              | \$ 230,645         |
| International                                      | 10,550               | 7,776              | 31,179                  | 14,052             |
| Total segment income from operations               | 60,868               | 52,374             | 273,346                 | 244,697            |
| Unallocated corporate operating expense            | (38,910)             | (39,837)           | (125,434)               | (120,865)          |
| Total income from operations                       | 21,958               | 12,537             | 147,912                 | 123,832            |
| Other income (expense), net                        | 11                   | (1)                | (145)                   | (6)                |
| Interest expense, net                              | (13,256)             | (11,600)           | (36,885)                | (33,229)           |
| Income before (benefit) provision for income taxes | \$ 8,713             | \$ 936             | \$ 110,882              | \$ 90,597          |

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

| (dollars in thousands)              | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|-------------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                     | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Depreciation and amortization       |                      |                    |                         |                    |
| U.S.                                | \$ 36,670            | \$ 39,796          | \$ 114,372              | \$ 119,063         |
| International                       | 7,201                | 6,420              | 20,406                  | 19,866             |
| Corporate                           | 4,055                | 4,355              | 12,418                  | 12,544             |
| Total depreciation and amortization | \$ 47,926            | \$ 50,571          | \$ 147,196              | \$ 151,473         |

*Geographic Areas* — International assets are defined as assets residing in a country other than the U.S. The following table details long-lived assets, excluding operating lease right-of-use assets, goodwill, intangible assets and deferred tax assets, by major geographic area as of the periods indicated:

| (dollars in thousands) | SEPTEMBER 29, 2019 | DECEMBER 30, 2018 |
|------------------------|--------------------|-------------------|
| U.S.                   | \$ 1,032,857       | \$ 1,107,679      |
| International          |                    |                   |
| Brazil                 | 117,311            | 115,560           |
| Other                  | 15,036             | 13,663            |
| Total assets           | \$ 1,165,204       | \$ 1,236,902      |

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

| (dollars in thousands) | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|------------------------|----------------------|--------------------|-------------------------|--------------------|
|                        | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| U.S.                   | \$ 848,444           | \$ 861,493         | \$ 2,777,170            | \$ 2,782,555       |
| International          |                      |                    |                         |                    |
| Brazil                 | 106,151              | 88,178             | 298,935                 | 284,376            |
| Other                  | 12,549               | 15,350             | 41,100                  | 46,369             |
| Total revenue          | \$ 967,144           | \$ 965,021         | \$ 3,117,205            | \$ 3,113,300       |

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes. Unless the context otherwise indicates, as used in this report, the term the "Company," "we," "us," "our" and other similar terms mean Bloomin' Brands, Inc. and its subsidiaries.

**Cautionary Statement**

This Quarterly Report on Form 10-Q (the "Report") includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "feels," "seeks," "forecasts," "projects," "intends," "plans," "may," "will," "should," "could" or "would" or, in each case, their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from statements made or suggested by forward-looking statements include, but are not limited to, the following:

- (i) The outcome of our review of strategic alternatives, including the impact on our ongoing business, our stock price and our ability to successfully implement any alternatives that we pursue;
- (ii) Consumer reactions to public health and food safety issues;
- (iii) Our ability to compete in the highly competitive restaurant industry with many well-established competitors and new market entrants;
- (iv) Minimum wage increases and additional mandated employee benefits;
- (v) Economic conditions and their effects on consumer confidence and discretionary spending, consumer traffic, the cost and availability of credit and interest rates;
- (vi) Our ability to protect our information technology systems from interruption or security breach, including cyber security threats, and to protect consumer data and personal employee information;
- (vii) Fluctuations in the price and availability of commodities;

**BLOOMIN' BRANDS, INC.**

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

- (viii) Our ability to comply with governmental laws and regulations, the costs of compliance with such laws and regulations and the effects of changes to applicable laws and regulations, including tax laws and unanticipated liabilities;
- (ix) Our ability to effectively respond to changes in patterns of consumer traffic, consumer tastes and dietary habits;
- (x) Our ability to implement our remodeling, relocation and expansion plans due to uncertainty in locating and acquiring attractive sites on acceptable terms, obtaining required permits and approvals, recruiting and training necessary personnel, obtaining adequate financing and estimating the performance of newly opened, remodeled or relocated restaurants;
- (xi) The effects of international economic, political and social conditions and legal systems on our foreign operations and on foreign currency exchange rates;
- (xii) Our ability to preserve and grow the reputation and value of our brands, particularly in light of changes in consumer engagement with social media platforms;
- (xiii) Any impairment in the carrying value of our goodwill or other intangible or long-lived assets and its effect on our financial condition and results of operations;
- (xiv) Seasonal and periodic fluctuations in our results and the effects of significant adverse weather conditions and other disasters or unforeseen events;
- (xv) The effects of our substantial leverage and restrictive covenants in our various credit facilities on our ability to raise additional capital to fund our operations, to make capital expenditures to invest in new or renovate restaurants and to react to changes in the economy or our industry, and our exposure to interest rate risk in connection with our variable-rate debt;
- (xvi) The adequacy of our cash flow and earnings and other conditions which may affect our ability to pay dividends and repurchase shares of our common stock; and
- (xvii) Such other factors as discussed in Part I, Item IA. Risk Factors of our Annual Report on Form 10-K for the year ended December 30, 2018.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this Report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

**BLOOMIN' BRANDS, INC.**

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

**Overview**

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of September 29, 2019, we owned and operated 1,172 restaurants and franchised 299 restaurants across 48 states, Puerto Rico, Guam and 21 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

**Executive Summary**

Our financial results for the thirteen weeks ended September 29, 2019 ("third quarter of 2019") include the following:

- An increase in Total revenues of 0.2% in the third quarter of 2019, as compared to the third quarter of 2018, primarily due to higher comparable restaurant sales in Brazil and the net impact of restaurant openings and closures, partially offset by domestic refranchising.
- Income from operations of \$22.0 million in the third quarter of 2019, as compared to \$12.5 million in the third quarter of 2018, increased primarily due to: (i) higher comparable restaurant sales in Brazil, (ii) the impact of certain cost savings initiatives and (iii) gains on the sale of certain U.S. surplus properties. These increases were partially offset by: (i) commodity, operating and labor inflation, (ii) additional expense related to the rollout of delivery services and (iii) the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

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

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

**Company Exploring Strategic Alternatives**

We are currently exploring and evaluating strategic alternatives that have the potential to maximize value for our shareholders, including but not limited to, a possible sale of the Company. We plan to proceed in a timely manner, but have not set a definitive timetable for completion of this process. There can be no assurance that this review will result in a transaction or other strategic alternative of any kind. The Board of Directors has retained BofA Securities, Inc. as its financial advisor.

**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;

**BLOOMIN' BRANDS, INC.**

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

- *System-wide sales*—total restaurant sales volume for all Company-owned and franchise restaurants, regardless of ownership, to interpret the overall health of our brands;
- *Restaurant-level operating margin, Income from operations, Net income and Diluted earnings per share* — financial measures utilized to evaluate our operating performance.

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

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

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

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

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

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

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued****Selected Operating Data**

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

| <b>Number of restaurants (at end of the period):</b> | <b>SEPTEMBER 29, 2019</b> | <b>SEPTEMBER 30, 2018</b> |
|--|---------------------------|---------------------------|
| <b>U.S.</b>  |                           |                           |
| Outback Steakhouse                                   |                           |                           |
| Company-owned  | 579                       | 580                       |
| Franchised   | 147                       | 153                       |
| Total  | 726                       | 733                       |
| Carrabba's Italian Grill                             |                           |                           |
| Company-owned (1)                                    | 204                       | 224                       |
| Franchised (1)                                       | 21                        | 3                         |
| Total  | 225                       | 227                       |
| Bonefish Grill                                       |                           |                           |
| Company-owned  | 190                       | 191                       |
| Franchised   | 7                         | 7                         |
| Total  | 197                       | 198                       |
| Fleming's Prime Steakhouse & Wine Bar                |                           |                           |
| Company-owned  | 69                        | 70                        |
| Other  |                           |                           |
| Company-owned  | 3                         | 5                         |
| U.S. Total   | 1,220                     | 1,233                     |
| <b>International</b>                                 |                           |                           |
| Company-owned  |                           |                           |
| Outback Steakhouse - Brazil (2)                      | 99                        | 92                        |
| Other  | 28                        | 32                        |
| Franchised   |                           |                           |
| Outback Steakhouse - South Korea                     | 70                        | 75                        |
| Other  | 54                        | 56                        |
| International Total                                  | 251                       | 255                       |
| <b>System-wide total</b>                             | <b>1,471</b>              | <b>1,488</b>              |

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

(2) The restaurant counts for Brazil are reported as of August 31, 2019 and 2018, respectively, to correspond with the balance sheet dates of this subsidiary.



**BLOOMIN' BRANDS, INC.**

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

**Results of Operations**

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

|   | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| <b>Revenues</b>   |                      |                    |                         |                    |
| Restaurant sales  | 98.4 %               | 98.4 %             | 98.5 %                  | 98.4 %             |
| Franchise and other revenues                              | 1.6                  | 1.6                | 1.5                     | 1.6                |
| Total revenues  | 100.0                | 100.0              | 100.0                   | 100.0              |
| <b>Costs and expenses</b>                                 |                      |                    |                         |                    |
| Cost of sales (1)   | 31.6                 | 32.4               | 31.4                    | 32.1               |
| Labor and other related (1)                               | 30.3                 | 30.4               | 29.6                    | 29.4               |
| Other restaurant operating (1)                            | 25.3                 | 24.6               | 23.9                    | 23.7               |
| Depreciation and amortization                             | 5.0                  | 5.2                | 4.7                     | 4.9                |
| General and administrative                                | 6.9                  | 7.0                | 6.7                     | 6.8                |
| Provision for impaired assets and restaurant closings     | 0.1                  | 0.4                | 0.2                     | 0.5                |
| Total costs and expenses                                  | 97.7                 | 98.7               | 95.3                    | 96.0               |
| Income from operations                                    | 2.3                  | 1.3                | 4.7                     | 4.0                |
| Other income (expense), net                               | *                    | (*)                | (*)                     | (*)                |
| Interest expense, net                                     | (1.4)                | (1.2)              | (1.1)                   | (1.1)              |
| Income before (benefit) provision for income taxes        | 0.9                  | 0.1                | 3.6                     | 2.9                |
| (Benefit) provision for income taxes                      | (0.1)                | (0.3)              | 0.2                     | (0.2)              |
| Net income  | 1.0                  | 0.4                | 3.4                     | 3.1                |
| Less: net income attributable to noncontrolling interests | *                    | *                  | 0.1                     | *                  |
| Net income attributable to Bloomin' Brands                | 1.0 %                | 0.4 %              | 3.3 %                   | 3.1 %              |

(1) As a percentage of Restaurant sales.

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

**RESTAURANT SALES**

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

| (dollars in millions)                                       | THIRTEEN WEEKS ENDED | THIRTY-NINE WEEKS ENDED |
|---|----------------------|-------------------------|
| For the periods ended September 30, 2018                    | \$ 949.4             | \$ 3,063.9              |
| Change from:  |                      |                         |
| Restaurant openings   | 10.9                 | 36.4                    |
| Comparable restaurant sales                                 | 7.5                  | 43.9                    |
| Effect of foreign currency translation                      | 0.1                  | (28.8)                  |
| Divestiture of restaurants through franchising transactions | (9.8)                | (21.2)                  |
| Restaurant closures   | (6.3)                | (25.1)                  |
| For the periods ended September 29, 2019                    | \$ 951.8             | \$ 3,069.1              |

The increase in Restaurant sales during the thirteen weeks ended September 29, 2019 was primarily due to the opening of 28 new restaurants not included in our comparable restaurant sales base and higher comparable restaurant sales in Brazil. The increase in Restaurant sales was partially offset by domestic franchising and the closing of 23 restaurants since July 1, 2018.

**BLOOMIN' BRANDS, INC.**

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

The increase in Restaurant sales during the thirty-nine weeks ended September 29, 2019 was primarily due to higher comparable restaurant sales and the opening of 37 new restaurants not included in our comparable restaurant sales base. The increase in Restaurant sales was partially offset by: (i) the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar, (ii) the closing of 38 restaurants since December 31, 2017 and (iii) domestic refranchising.

*Average Restaurant Unit Volumes and Operating Weeks*

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

|   | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|---|----------------------|--------------------|-------------------------|--------------------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Average restaurant unit volumes (weekly): |                      |                    |                         |                    |
| U.S.                                      |                      |                    |                         |                    |
| Outback Steakhouse                        | \$ 66,084            | \$ 65,636          | \$ 70,925               | \$ 69,461          |
| Carrabba's Italian Grill                  | \$ 51,989            | \$ 51,000          | \$ 56,185               | \$ 55,542          |
| Bonefish Grill                            | \$ 53,549            | \$ 54,517          | \$ 59,066               | \$ 58,800          |
| Fleming's Prime Steakhouse & Wine Bar     | \$ 71,954            | \$ 71,046          | \$ 81,695               | \$ 80,557          |
| International                             |                      |                    |                         |                    |
| Outback Steakhouse - Brazil (1)           | \$ 72,791            | \$ 67,149          | \$ 71,459               | \$ 75,136          |
| Operating weeks:                          |                      |                    |                         |                    |
| U.S.                                      |                      |                    |                         |                    |
| Outback Steakhouse                        | 7,527                | 7,558              | 22,592                  | 22,738             |
| Carrabba's Italian Grill                  | 2,653                | 2,912              | 8,212                   | 8,748              |
| Bonefish Grill                            | 2,470                | 2,489              | 7,395                   | 7,510              |
| Fleming's Prime Steakhouse & Wine Bar     | 897                  | 910                | 2,717                   | 2,718              |
| International                             |                      |                    |                         |                    |
| Outback Steakhouse - Brazil               | 1,297                | 1,209              | 3,750                   | 3,515              |

(1) Translated at average exchange rates of 3.88 and 3.84 for the thirteen weeks ended September 29, 2019 and September 30, 2018, respectively, and 3.86 and 3.49 for the thirty-nine weeks ended September 29, 2019 and September 30, 2018, respectively.

**BLOOMIN' BRANDS, INC.**

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

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

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

|  | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Year over year percentage change:                            |                      |                    |                         |                    |
| Comparable restaurant sales (stores open 18 months or more): |                      |                    |                         |                    |
| U.S. (1)   |                      |                    |                         |                    |
| Outback Steakhouse   | 0.2 %                | 4.6 %              | 1.7 %                   | 4.3 %              |
| Carrabba's Italian Grill                                     | 0.1 %                | (0.6)%             | (0.4)%                  | — %                |
| Bonefish Grill   | (2.2)%               | 1.8 %              | — %                     | 1.1 %              |
| Fleming's Prime Steakhouse & Wine Bar                        | 0.4 %                | 0.5 %              | 0.8 %                   | 1.4 %              |
| Combined U.S.  | (0.2)%               | 2.9 %              | 1.0 %                   | 2.8 %              |
| International  |                      |                    |                         |                    |
| Outback Steakhouse - Brazil (2)                              | 11.2 %               | (3.3)%             | 6.1 %                   | (2.8)%             |
| Traffic:   |                      |                    |                         |                    |
| U.S.   |                      |                    |                         |                    |
| Outback Steakhouse   | (1.1)%               | 0.9 %              | (1.1)%                  | 1.3 %              |
| Carrabba's Italian Grill                                     | 0.5 %                | (2.9)%             | (0.8)%                  | (4.8)%             |
| Bonefish Grill   | (2.9)%               | (2.7)%             | (2.1)%                  | (2.1)%             |
| Fleming's Prime Steakhouse & Wine Bar                        | (0.3)%               | (4.2)%             | 0.6 %                   | (4.7)%             |
| Combined U.S.  | (1.0)%               | (0.5)%             | (1.1)%                  | (0.6)%             |
| International  |                      |                    |                         |                    |
| Outback Steakhouse - Brazil                                  | 10.0 %               | (5.5)%             | 2.8 %                   | (5.0)%             |
| Average check per person (3):                                |                      |                    |                         |                    |
| U.S.   |                      |                    |                         |                    |
| Outback Steakhouse   | 1.3 %                | 3.7 %              | 2.8 %                   | 3.0 %              |
| Carrabba's Italian Grill                                     | (0.4)%               | 2.3 %              | 0.4 %                   | 4.8 %              |
| Bonefish Grill   | 0.7 %                | 4.5 %              | 2.1 %                   | 3.2 %              |
| Fleming's Prime Steakhouse & Wine Bar                        | 0.7 %                | 4.7 %              | 0.2 %                   | 6.1 %              |
| Combined U.S.  | 0.8 %                | 3.4 %              | 2.1 %                   | 3.4 %              |
| International  |                      |                    |                         |                    |
| Outback Steakhouse - Brazil                                  | 0.8 %                | 2.1 %              | 3.3 %                   | 2.3 %              |

(1) Relocated restaurants closed more than 60 days are excluded from comparable restaurant sales until at least 18 months after reopening.

(2) Excludes the effect of fluctuations in foreign currency rates. Includes trading day impact from calendar period reporting.

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

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
*Franchise and other revenues*

| (dollars in millions)        | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                              | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Franchise revenues (1)       | \$ 12.4              | \$ 12.5            | \$ 39.0                 | \$ 39.9            |
| Other revenues               | 2.9                  | 3.1                | 9.1                     | 9.5                |
| Franchise and other revenues | \$ 15.3              | \$ 15.6            | \$ 48.1                 | \$ 49.4            |

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

**COSTS AND EXPENSES**
*Cost of sales*

| (dollars in millions) | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |        |
|-----------------------|----------------------|--------------------|--------|-------------------------|--------------------|--------|
|                       | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change |
| Cost of sales         | \$ 300.4             | \$ 307.5           |        | \$ 965.2                | \$ 982.4           |        |
| % of Restaurant sales | 31.6%                | 32.4%              | (0.8)% | 31.4%                   | 32.1%              | (0.7)% |

Cost of sales decreased as a percentage of Restaurant sales during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 primarily due to 0.8% from increases in average check per person and 0.6% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.5% from commodity cost inflation.

Cost of sales decreased as a percentage of Restaurant sales during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 primarily due to 0.7% from increases in average check per person and 0.4% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.5% from commodity cost inflation.

*Labor and other related expenses*

| (dollars in millions)   | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |        |
|-------------------------|----------------------|--------------------|--------|-------------------------|--------------------|--------|
|                         | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change |
| Labor and other related | \$ 288.6             | \$ 289.0           |        | \$ 908.8                | \$ 902.0           |        |
| % of Restaurant sales   | 30.3%                | 30.4%              | (0.1)% | 29.6%                   | 29.4%              | 0.2%   |

Labor and other related expenses decreased as a percentage of Restaurant sales during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 primarily due to 0.4% from increases in average check per person and 0.2% from the impact of certain cost saving initiatives, partially offset by an increase as a percentage of Restaurant sales of 0.5% from higher labor costs due to wage rate increases.

Labor and other related expenses increased as a percentage of Restaurant sales during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 primarily due to 0.7% from higher labor costs due to wage rate increases, partially offset by decreases as a percentage of Restaurant sales of 0.5% from increases in average check per person and 0.2% from the impact of certain cost saving initiatives.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
*Other restaurant operating expenses*

| (dollars in millions)      | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |        |
|----------------------------|----------------------|--------------------|--------|-------------------------|--------------------|--------|
|                            | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change |
| Other restaurant operating | \$ 240.4             | \$ 233.7           |        | \$ 732.1                | \$ 725.5           |        |
| % of Restaurant sales      | 25.3%                | 24.6%              | 0.7%   | 23.9%                   | 23.7%              | 0.2%   |

Other restaurant operating expenses increased as a percentage of Restaurant sales during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 primarily due to: (i) 0.8% from operating expense inflation, (ii) 0.6% from additional expense related to the rollout of delivery services and (iii) 0.3% from the impact of deferred gains on sale-leaseback transactions no longer recognized in 2019 as a result of adoption of the new lease accounting standard. These increases were partially offset by decreases as a percentage of Restaurant sales of: (i) 0.5% from the impact of certain cost saving initiatives, (ii) 0.4% from gains on the sale of certain U.S. surplus properties and (iii) 0.3% from increases in average check per person.

Other restaurant operating expenses increased as a percentage of Restaurant sales during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 primarily due to (i) 0.5% from additional expense related to the rollout of delivery services, (ii) 0.4% from operating expense inflation and (iii) 0.3% from the impact of deferred gains on sale-leaseback transactions no longer recognized in 2019 as a result of adoption of the new lease accounting standard. These increases were partially offset by decreases as a percentage of Restaurant sales of 0.4% from increases in average check per person and 0.4% from the impact of certain cost saving initiatives.

*General and administrative*

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

| (dollars in millions)                    | THIRTEEN WEEKS ENDED | THIRTY-NINE WEEKS ENDED |
|--|----------------------|-------------------------|
| For the periods ended September 30, 2018 | \$ 67.7              | \$ 212.5                |
| Change from:                             |                      |                         |
| Severance                                | (1.1)                | 1.7                     |
| Employee stock-based compensation        | (0.5)                | (2.0)                   |
| Foreign currency exchange                | (0.1)                | (2.1)                   |
| Other                                    | 0.6                  | (1.0)                   |
| For the periods ended September 29, 2019 | \$ 66.6              | \$ 209.1                |

*Provision for impaired assets and restaurant closings*

| (dollars in millions)                                 | THIRTEEN WEEKS ENDED |                    |          | THIRTY-NINE WEEKS ENDED |                    |          |
|---|----------------------|--------------------|----------|-------------------------|--------------------|----------|
|   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change   | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change   |
| Provision for impaired assets and restaurant closings | \$ 1.4               | \$ 4.0             | \$ (2.6) | \$ 6.9                  | \$ 15.6            | \$ (8.7) |

During the thirty-nine weeks ended September 29, 2019 and September 30, 2018, we recognized asset impairment and closure charges of \$1.8 million and \$9.1 million, respectively, related to the restructuring of certain international markets, including Puerto Rico and China.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

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

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

*Income from operations*

| (dollars in millions)  | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |         |
|------------------------|----------------------|--------------------|--------|-------------------------|--------------------|---------|
|                        | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change  |
| Income from operations | \$ 22.0              | \$ 12.5            | \$ 9.5 | \$ 147.9                | \$ 123.8           | \$ 24.1 |
| % of Total revenues    | 2.3%                 | 1.3%               | 1.0%   | 4.7%                    | 4.0%               | 0.7%    |

The increase in Income from operations generated during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 was primarily due to: (i) higher comparable restaurant sales in Brazil, (ii) the impact of certain cost savings initiatives and (iii) gains on the sale of certain U.S. surplus properties. These increases were partially offset by: (i) commodity, operating and labor inflation, (ii) additional expense related to the rollout of delivery services and (iii) the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

The increase in Income from operations generated during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 was primarily due to: (i) higher comparable restaurant sales, (ii) the impact of certain cost savings initiatives and (iii) lower impairment and restaurant closing costs. These increases were partially offset by: (i) labor and commodity inflation, (ii) additional expense related to the rollout of delivery services and (iii) the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

*Interest expense, net*

| (dollars in millions) | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |        |
|-----------------------|----------------------|--------------------|--------|-------------------------|--------------------|--------|
|                       | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change |
| Interest expense, net | \$ 13.3              | \$ 11.6            | \$ 1.7 | \$ 36.9                 | \$ 33.2            | \$ 3.7 |

The increase in Interest expense, net for the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 was primarily due to higher interest expense from our derivative instruments and higher interest rates and borrowings outstanding, partially offset by the derecognition of certain debt obligations due to adoption of the new lease accounting standard.

The increase in Interest expense, net for the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 primarily due to higher interest rates and borrowings outstanding and higher interest expense from our derivative instruments, partially offset from the derecognition of certain debt obligations due to adoption of the new lease accounting standard.

**BLOOMIN' BRANDS, INC.**

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

*(Benefit) provision for income taxes*

|                                      | THIRTEEN WEEKS ENDED |                    |        | THIRTY-NINE WEEKS ENDED |                    |        |
|--------------------------------------|----------------------|--------------------|--------|-------------------------|--------------------|--------|
|                                      | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | Change | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 | Change |
| (Benefit) provision for income taxes | \$ (660)             | \$ (3,317)         |        | \$ 6,051                | \$ (6,516)         |        |
| Effective income tax rate            | (7.6)%               | (NM)               | (NM)   | 5.5%                    | (7.2)%             | 12.7%  |

NM Not meaningful.

The decrease in the benefit for income taxes for the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 was primarily due to favorable discrete items recorded in the thirteen weeks ended September 30, 2018 and an increase in pre-tax book income in 2019 relative to 2018.

The effective income tax rate for the thirty-nine weeks ended September 29, 2019 increased by 12.7 percentage points as compared to the thirty-nine weeks ended September 30, 2018. The increase was primarily due to favorable discrete items recorded in the thirty-nine weeks ended September 30, 2018, which included excess tax benefits from equity-based compensation arrangements.

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

(1) Includes franchise locations.

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

Refer to Note 17 - *Segment Reporting* of the Notes to Consolidated Financial Statements for a reconciliation of segment income from operations to the consolidated operating results.

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

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued****U.S. Segment**

| (dollars in thousands)            | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|-----------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| <b>Revenues</b>                   |                      |                    |                         |                    |
| Restaurant sales                  | \$ 835,753           | \$ 848,837         | \$ 2,737,182            | \$ 2,742,118       |
| Franchise and other revenues      | 12,691               | 12,656             | 39,988                  | 40,437             |
| Total revenues                    | \$ 848,444           | \$ 861,493         | \$ 2,777,170            | \$ 2,782,555       |
| Restaurant-level operating margin | 12.0%                | 11.9%              | 14.5%                   | 14.4%              |
| Income from operations            | \$ 50,318            | \$ 44,598          | \$ 242,167              | \$ 230,645         |
| Operating income margin           | 5.9%                 | 5.2%               | 8.7%                    | 8.3%               |

*Restaurant sales*

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

| (dollars in millions)                                       | THIRTEEN WEEKS ENDED | THIRTY-NINE WEEKS ENDED |
|---|----------------------|-------------------------|
| For the periods ended September 30, 2018                    | \$ 848.8             | \$ 2,742.1              |
| Change from:  |                      |                         |
| Divestiture of restaurants through franchising transactions | (9.8)                | (21.2)                  |
| Restaurant closures   | (5.5)                | (19.4)                  |
| Comparable restaurant sales                                 | (0.9)                | 26.4                    |
| Restaurant openings   | 3.2                  | 9.3                     |
| For the periods ended September 29, 2019                    | \$ 835.8             | \$ 2,737.2              |

The decrease in U.S. Restaurant sales during the thirteen weeks ended September 29, 2019 was primarily due to the franchising of certain Company-owned restaurants and the closing of 14 restaurants since July 1, 2018. The decrease in Restaurant sales was partially offset by the opening of seven new restaurants not included in our comparable restaurant sales base.

The decrease in U.S. Restaurant sales during the thirty-nine weeks ended September 29, 2019 was primarily due to the franchising of certain Company-owned restaurants and the closing of 20 restaurants since December 31, 2017. The decrease in Restaurant sales was partially offset by higher comparable restaurant sales and the opening of ten new restaurants not included in our comparable restaurant sales base.

*Income from operations*

The increase in U.S. Income from operations generated during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018, was primarily due to: (i) increases in average check per person, (ii) the impact of certain cost savings initiatives and (iii) gains on the sale of certain surplus properties. These increases were partially offset by: (i) commodity, operating and labor inflation, (ii) additional expense related to the rollout of delivery services and (iii) the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.

The increase in U.S. Income from operations generated during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018, was primarily due to higher comparable restaurant sales and the impact of certain cost savings initiatives. These increases were partially offset by: (i) labor and commodity inflation, (ii) additional expense related to the rollout of delivery services and (iii) the impact of deferred gain amortization no longer recognized upon adoption of the new lease standard.



**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
**International Segment**

| (dollars in thousands)            | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|-----------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                   | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| <b>Revenues</b>                   |                      |                    |                         |                    |
| Restaurant sales                  | \$ 116,063           | \$ 100,563         | \$ 331,963              | \$ 321,769         |
| Franchise and other revenues      | 2,637                | 2,965              | 8,072                   | 8,976              |
| Total revenues                    | \$ 118,700           | \$ 103,528         | \$ 340,035              | \$ 330,745         |
| Restaurant-level operating margin | 18.7%                | 17.9%              | 19.8%                   | 18.4%              |
| Income from operations            | \$ 10,550            | \$ 7,776           | \$ 31,179               | \$ 14,052          |
| Operating income margin           | 8.9%                 | 7.5%               | 9.2%                    | 4.2%               |

*Restaurant sales*

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

| (dollars in millions)                    | THIRTEEN WEEKS ENDED |       | THIRTY-NINE WEEKS ENDED |        |
|--|----------------------|-------|-------------------------|--------|
| For the periods ended September 30, 2018 | \$                   | 100.6 | \$                      | 321.8  |
| Change from:                             |                      |       |                         |        |
| Comparable restaurant sales              |                      | 8.4   |                         | 17.5   |
| Restaurant openings                      |                      | 7.7   |                         | 27.1   |
| Effect of foreign currency translation   |                      | 0.1   |                         | (28.8) |
| Restaurant closures                      |                      | (0.8) |                         | (5.7)  |
| For the periods ended September 29, 2019 | \$                   | 116.0 | \$                      | 331.9  |

The increase in international Restaurant sales during the thirteen weeks ended September 29, 2019 was primarily due to higher comparable restaurant sales and the opening of 21 new restaurants not included in our comparable restaurant sales base. The increase in Restaurant sales was partially offset by the closing of nine restaurants since July 1, 2018.

The increase in international Restaurant sales during the thirty-nine weeks ended September 29, 2019 was primarily due to the opening of 27 new restaurants not included in our comparable restaurant sales base and higher comparable restaurant sales. The increase in Restaurant sales was partially offset by the effect of foreign currency translation of the Brazilian Real relative to the U.S. dollar and the closing of 18 restaurants since December 31, 2017.

*Income from operations*

The increase in international Income from operations during the thirteen weeks ended September 29, 2019 as compared to the thirteen weeks ended September 30, 2018 was primarily due to: (i) higher comparable restaurant sales, (ii) the timing of advertising expense, (iii) improved operating performance by our Abbraccio concept, (iv) lower General and administrative expense, primarily from lower severance costs and (v) impacts from certain cost savings initiatives. These increases were partially offset by labor, operating and commodity expense inflation.

The increase in international Income from operations during the thirty-nine weeks ended September 29, 2019 as compared to the thirty-nine weeks ended September 30, 2018 was primarily due to: (i) higher comparable restaurant sales, (ii) lower impairment and restaurant closing costs, (iii) lower General and administrative expense, primarily from the effects of foreign currency exchange and lower severance costs, (iv) improved operating performance by our Abbraccio concept, (v) the timing of advertising expense and (vi) impacts from certain cost savings initiatives. These increases were partially offset by labor, operating and commodity inflation.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued****Non-GAAP Financial Measures**

*System-Wide Sales* - System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. Management uses this information to make decisions about future plans for the development of additional restaurants and new concepts, as well as evaluation of current operations. System-wide sales comprise sales of Company-owned and franchised restaurants. For a summary of sales of Company-owned restaurants, refer to Note 2 - *Revenue Recognition* of the Notes to Consolidated Financial Statements.

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

| (dollars in millions)          | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--------------------------------|----------------------|--------------------|-------------------------|--------------------|
|                                | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| U.S.                           |                      |                    |                         |                    |
| Outback Steakhouse             | \$ 118               | \$ 122             | \$ 381                  | \$ 391             |
| Carrabba's Italian Grill (1)   | 11                   | 4                  | 28                      | 9                  |
| Bonefish Grill                 | 3                    | 3                  | 10                      | 11                 |
| U.S. Total                     | \$ 132               | \$ 129             | \$ 419                  | \$ 411             |
| International                  |                      |                    |                         |                    |
| Outback Steakhouse-South Korea | \$ 50                | \$ 47              | \$ 154                  | \$ 149             |
| Other                          | 25                   | 28                 | 78                      | 83                 |
| International Total            | \$ 75                | \$ 75              | \$ 232                  | \$ 232             |
| Total franchise sales (2)      | \$ 207               | \$ 204             | \$ 651                  | \$ 643             |

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

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

**BLOOMIN' BRANDS, INC.**

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

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

|                                   | THIRTEEN WEEKS ENDED |              |                    |              |
|-----------------------------------|----------------------|--------------|--------------------|--------------|
|                                   | SEPTEMBER 29, 2019   |              | SEPTEMBER 30, 2018 |              |
|                                   | U.S. GAAP            | ADJUSTED (1) | U.S. GAAP          | ADJUSTED (1) |
| Restaurant sales                  | 100.0%               | 100.0%       | 100.0%             | 100.0%       |
| Cost of sales                     | 31.6%                | 31.6%        | 32.4%              | 32.4%        |
| Labor and other related           | 30.3%                | 30.3%        | 30.4%              | 30.4%        |
| Other restaurant operating        | 25.3%                | 25.6%        | 24.6%              | 24.8%        |
| Restaurant-level operating margin | 12.9%                | 12.5%        | 12.5%              | 12.4%        |

|                                   | THIRTY-NINE WEEKS ENDED |              |                    |              |
|-----------------------------------|-------------------------|--------------|--------------------|--------------|
|                                   | SEPTEMBER 29, 2019      |              | SEPTEMBER 30, 2018 |              |
|                                   | U.S. GAAP               | ADJUSTED (1) | U.S. GAAP          | ADJUSTED (1) |
| Restaurant sales                  | 100.0%                  | 100.0%       | 100.0%             | 100.0%       |
| Cost of sales                     | 31.4%                   | 31.4%        | 32.1%              | 32.1%        |
| Labor and other related           | 29.6%                   | 29.6%        | 29.4%              | 29.4%        |
| Other restaurant operating        | 23.9%                   | 24.0%        | 23.7%              | 23.8%        |
| Restaurant-level operating margin | 15.1%                   | 15.0%        | 14.8%              | 14.7%        |

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

| (dollars in millions)                              | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Restaurant and asset impairments and closing costs | \$ 3.8               | \$ 1.0             | \$ 4.0                  | \$ 3.2             |
| Restaurant relocations and related costs           | (0.1)                | 0.2                | (0.4)                   | 0.6                |
|  | \$ 3.7               | \$ 1.2             | \$ 3.6                  | \$ 3.8             |

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
*Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share*

| (in thousands, except per share data)                  | THIRTEEN WEEKS ENDED |                    | THIRTY-NINE WEEKS ENDED |                    |
|--|----------------------|--------------------|-------------------------|--------------------|
|  | SEPTEMBER 29, 2019   | SEPTEMBER 30, 2018 | SEPTEMBER 29, 2019      | SEPTEMBER 30, 2018 |
| Income from operations                                 | \$ 21,958            | \$ 12,537          | \$ 147,912              | \$ 123,832         |
| Operating income margin                                | 2.3%                 | 1.3%               | 4.7%                    | 4.0%               |
| Adjustments:   |                      |                    |                         |                    |
| Restaurant and asset impairments and closing costs (1) | \$ (3,072)           | \$ 2,840           | \$ 1,098                | \$ 12,021          |
| Severance (2)  | 1,908                | 2,528              | 5,511                   | 3,493              |
| Legal and contingent matters                           | 815                  | —                  | 815                     | 758                |
| Restaurant relocations and related costs (3)           | 477                  | 1,560              | 2,461                   | 4,638              |
| Total income from operations adjustments               | \$ 128               | \$ 6,928           | \$ 9,885                | \$ 20,910          |
| Adjusted income from operations                        | \$ 22,086            | \$ 19,465          | \$ 157,797              | \$ 144,742         |
| Adjusted operating income margin                       | 2.3%                 | 2.0%               | 5.1%                    | 4.6%               |
|  |                      |                    |                         |                    |
| Net income attributable to Bloomin' Brands             | \$ 9,248             | \$ 4,072           | \$ 102,569              | \$ 96,191          |
| Adjustments:   |                      |                    |                         |                    |
| Income from operations adjustments                     | 128                  | 6,928              | 9,885                   | 20,910             |
| Total adjustments, before income taxes                 | 128                  | 6,928              | 9,885                   | 20,910             |
| Adjustment to provision for income taxes (4)           | (471)                | (1,643)            | (1,703)                 | (3,762)            |
| Net adjustments  | (343)                | 5,285              | 8,182                   | 17,148             |
| Adjusted net income                                    | \$ 8,905             | \$ 9,357           | \$ 110,751              | \$ 113,339         |
|  |                      |                    |                         |                    |
| Diluted earnings per share                             | \$ 0.11              | \$ 0.04            | \$ 1.14                 | \$ 1.02            |
| Adjusted diluted earnings per share                    | \$ 0.10              | \$ 0.10            | \$ 1.23                 | \$ 1.20            |
|  |                      |                    |                         |                    |
| Diluted weighted average common shares outstanding     | 87,305               | 93,324             | 90,306                  | 94,489             |

(1) Represents asset impairment charges and related costs primarily associated with approved closure and restructuring initiatives, and the restructuring of certain international markets. Amount also includes gains on the sale of certain surplus properties of \$3.8 million for the thirteen and thirty-nine weeks ended September 29, 2019.

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

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

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

**Liquidity and Capital Resources**
**LIQUIDITY**

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

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

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

*Cash and Cash Equivalents* - As of September 29, 2019, we had \$51.4 million in cash and cash equivalents, of which \$15.4 million was held by foreign affiliates. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit repatriation.

As of September 29, 2019, we had aggregate accumulated foreign earnings of approximately \$86.1 million. This amount consisted primarily of historical earnings from 2017 and prior that were previously taxed in the U.S. under the 2017 Tax Cuts and Jobs Act and post-2017 foreign earnings, which we may repatriate to the U.S. without additional U.S. federal income tax. These amounts are no longer considered indefinitely reinvested in our foreign subsidiaries.

*Closure Initiatives* - Total aggregate future undiscounted cash expenditures of \$12.0 million to \$14.6 million related to lease liabilities for certain closure initiatives are expected to occur over the remaining lease terms with the final term ending in January 2029.

*Capital Expenditures* - We estimate that our capital expenditures will total approximately \$175.0 million in 2019. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including restrictions imposed by our borrowing arrangements.

*Credit Facilities* - As of September 29, 2019, we had \$1.1 billion of outstanding borrowings under our Senior Secured Credit Facility. We continue to evaluate whether we will make further payments of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding credit facilities as of the dates indicated and principal payments and debt issuance during the period indicated:

| (dollars in thousands)                                   | SENIOR SECURED CREDIT FACILITY |                    | TOTAL CREDIT FACILITIES |
|--|--------------------------------|--------------------|-------------------------|
|  | TERM LOAN A                    | REVOLVING FACILITY |                         |
| Balance as of December 30, 2018                          | \$ 475,000                     | \$ 599,500         | \$ 1,074,500            |
| 2019 new debt  | —                              | 533,300            | 533,300                 |
| 2019 payments  | (18,750)                       | (469,000)          | (487,750)               |
| Balance as of September 29, 2019                         | \$ 456,250                     | \$ 663,800         | \$ 1,120,050            |
| Weighted-average interest rate, as of September 29, 2019 | 3.80%                          | 3.79%              |                         |
| Principal maturity date                                  | November 2022                  | November 2022      |                         |

As of September 29, 2019, we had \$316.0 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of \$20.2 million.

*Credit Agreement* - Our Credit Agreement contains term loan mandatory prepayment requirements of 50% of our annual excess cash flow, as defined in the Credit Agreement. The amount outstanding required to be prepaid may vary based on our leverage ratio and year end results. Other than the annual required minimum amortization premiums of \$25.0 million, we do not anticipate any other payments will be required through September 27, 2020.

*Debt Covenants* - Our Credit Agreement contains various financial and non-financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and cause an acceleration of the amounts due under the credit facilities. See Note 13 - *Long-term Debt, Net* in our Annual Report on Form 10-K for the year ended December 30, 2018 for further information.

As of September 29, 2019 and December 30, 2018, we were in compliance with our debt covenants. We believe that we will remain in compliance with our debt covenants during the next 12 months and beyond.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued****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:

| <b>(dollars in thousands)</b>                                | <b>THIRTY-NINE WEEKS ENDED</b> |                           |
|--|--------------------------------|---------------------------|
|  | <b>SEPTEMBER 29, 2019</b>      | <b>SEPTEMBER 30, 2018</b> |
| Net cash provided by operating activities                    | \$ 180,926                     | \$ 155,196                |
| Net cash used in investing activities                        | (93,710)                       | (124,303)                 |
| Net cash used in financing activities                        | (106,444)                      | (76,960)                  |
| Effect of exchange rate changes on cash and cash equivalents | (1,187)                        | (4,861)                   |
| Net decrease in cash, cash equivalents and restricted cash   | \$ (20,415)                    | \$ (50,928)               |

*Operating activities* - Net cash provided by operating activities increased during the thirty-nine weeks ended September 29, 2019, as compared to the thirty-nine weeks ended September 30, 2018 primarily due to the timing of collections of receivables and the timing of payments, partially offset by higher income tax and interest payments.

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

Net cash used in investing activities during the thirty-nine weeks ended September 30, 2018 primarily consisted of capital expenditures, partially offset by proceeds from sale-leaseback transactions and proceeds from the disposal of property, fixtures and equipment.

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

Net cash used in financing activities during the thirty-nine weeks ended September 30, 2018 primarily consisted of the following: (i) the repurchase of common stock, (ii) payment of cash dividends on our common stock, (iii) the repayment of long-term debt and (iv) repayments of partner deposits and accrued partner obligations. Net cash used in financing activities was partially offset by drawdowns on our revolving credit facility, net of repayments and proceeds from share-based compensation.

**FINANCIAL CONDITION**

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

| <b>(dollars in thousands)</b> | <b>SEPTEMBER 29, 2019</b> | <b>DECEMBER 30, 2018</b> |
|-------------------------------|---------------------------|--------------------------|
| Current assets                | \$ 211,583                | \$ 335,483               |
| Current liabilities           | 790,805                   | 791,039                  |
| Working capital (deficit) (1) | \$ (579,222)              | \$ (455,556)             |

(1) During the thirty-nine weeks ended September 29, 2019 net working capital (deficit) was negatively impacted by the recognition of approximately \$170 million of current lease liabilities as a result of the adoption of ASU No. 2016-02.

**BLOOMIN' BRANDS, INC.**

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

Working capital (deficit) includes: (i) Unearned revenue primarily from unredeemed gift cards of \$217.2 million and \$342.7 million as of September 29, 2019 and December 30, 2018, respectively, and (ii) current operating lease liabilities of \$170.8 million as of September 29, 2019, with the corresponding operating right-of-use assets recorded as non-current on our Consolidated Balance Sheet. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities, and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and to make capital expenditures.

*Deferred Compensation Programs* - The deferred compensation obligation due to managing and chef partners was \$52.6 million and \$69.6 million as of September 29, 2019 and December 30, 2018, respectively. We invest in various corporate-owned life insurance policies, which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the deferred compensation plans. The rabbi trust is funded through our voluntary contributions. The unfunded obligation for managing and chef partners' deferred compensation was \$12.8 million as of September 29, 2019.

We use capital to fund the deferred compensation plans and currently expect cash funding of \$14.0 million to \$16.0 million for 2019. Actual funding of the deferred compensation obligations and future funding requirements may vary significantly depending on the actual performance compared to targets, timing of deferred payments of partner contracts, forfeiture rates, number of partner participants, growth of partner investments and our funding strategy.

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

**DIVIDENDS AND SHARE REPURCHASES**

*Dividends* - In October 2019, the Board declared a quarterly cash dividend of \$0.10 per share, payable on November 27, 2019. Future dividend payments are dependent on our earnings, financial condition, capital expenditure requirements, surplus and other factors that the Board considers relevant.

*Share Repurchases* - On February 12, 2019, our Board canceled the remaining \$36.0 million of authorization under the 2018 Share Repurchase Program and approved a new \$150.0 million authorization. The 2019 Share Repurchase Program will expire on August 12, 2020. As of September 29, 2019, we had \$43.0 million remaining available for repurchase under the 2019 Share Repurchase Program.

Following is a summary of our dividends and share repurchases from fiscal year 2015 through September 29, 2019:

| (dollars in thousands)     | DIVIDENDS PAID    | SHARE REPURCHASES<br>(1) | TOTAL               |
|----------------------------|-------------------|--------------------------|---------------------|
| Fiscal year 2015           | \$ 29,332         | \$ 169,999               | \$ 199,331          |
| Fiscal year 2016           | 31,379            | 309,887                  | 341,266             |
| Fiscal year 2017           | 30,988            | 272,736                  | 303,724             |
| Fiscal year 2018           | 33,312            | 113,967                  | 147,279             |
| First fiscal quarter 2019  | 9,140             | —                        | 9,140               |
| Second fiscal quarter 2019 | 9,227             | 106,992                  | 116,219             |
| Third fiscal quarter 2019  | 8,674             | —                        | 8,674               |
| Total                      | <u>\$ 152,052</u> | <u>\$ 973,581</u>        | <u>\$ 1,125,633</u> |

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

**BLOOMIN' BRANDS, INC.**

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

**Recently Issued Financial Accounting Standards**

For a description of recently issued Financial Accounting Standards that we adopted during the thirty-nine weeks ended September 29, 2019 and, that are applicable to us and likely to have material effect on our consolidated financial statements, but have not yet been adopted, see Note 1 - *Description of the Business and Basis of Presentation* of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk from changes in interest rates, changes in foreign currency exchange rates and changes in commodity prices. We believe that there have been no material changes in our market risk since December 30, 2018, except as set forth below. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended December 30, 2018 for further information regarding market risk.

**Foreign Currency Exchange Rate Risk**

We are subject to foreign currency exchange risk for our restaurants operating in foreign countries. Our exposure to foreign currency exchange risk is primarily related to fluctuations in the Brazilian Real relative to the U.S. dollar. Our operations in other markets consist of Company-owned restaurants on a smaller scale than Brazil. If foreign currency exchange rates depreciate in the countries in which we operate, we may experience declines in our operating results. For the thirty-nine weeks ended September 29, 2019, a 10% change in average foreign currency rates against the U.S. dollar would have increased or decreased our Total revenues and Net income for our consolidated foreign entities by \$36.9 million and \$2.5 million, respectively. Currently, we do not enter into currency forward exchange or option contracts to hedge foreign currency exposures.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 29, 2019.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the thirteen weeks ended September 29, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**BLOOMIN' BRANDS, INC.****PART II: OTHER INFORMATION****Item 1. Legal Proceedings**

For a description of our legal proceedings, see Note 16 - *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors**

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2018 Form 10-K which could materially affect our business, financial condition or future results. There have not been any material changes to the risk factors described in our 2018 Form 10-K, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

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

There were no sales of equity securities during the third quarter of 2019 that were not registered under the Securities Act of 1933.

On February 12, 2019, the Board of Directors authorized the repurchase of \$150.0 million of our outstanding common stock as announced in our press release issued on February 14, 2019 (the "2019 Share Repurchase Program"). The 2019 Share Repurchase Program will expire on August 12, 2020. We did not repurchase any shares of our outstanding common stock during the thirteen weeks ended September 29, 2019.

**Item 6. Exhibits**

| EXHIBIT<br>NUMBER | DESCRIPTION OF EXHIBITS   | FILINGS REFERENCED FOR<br>INCORPORATION BY REFERENCE |
|-------------------|---|--|
| 10.1*             | <a href="#">Separation Agreement, dated as of July 31, 2019, by and between Joseph J. Kadow and OSI Restaurant Partners, LLC</a>                                      | June 30, 2019 Form 10-Q, Exhibit 10.5                |
| 31.1              | <a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>  | Filed herewith                                       |
| 31.2              | <a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>  | Filed herewith                                       |
| 32.1              | <a href="#">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)</a> | Furnished herewith                                   |
| 32.2              | <a href="#">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)</a> | Furnished herewith                                   |
| 101.INS           | XBRL Instance Document  | Filed herewith                                       |
| 101.SCH           | XBRL Taxonomy Extension Schema Document   | Filed herewith                                       |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase Document   | Filed herewith                                       |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase Document  | Filed herewith                                       |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase Document   | Filed herewith                                       |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase Document  | Filed herewith                                       |

**BLOOMIN' BRANDS, INC.**

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

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

**BLOOMIN' BRANDS, INC.**

**SIGNATURE**

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

Date: November 7, 2019

BLOOMIN' BRANDS, INC.

(Registrant)

By: /s/ Christopher Meyer

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

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**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: November 7, 2019

/s/ David J. Deno

David J. Deno

Chief Executive Officer

(Principal Executive Officer)

**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: November 7, 2019

/s/ Christopher Meyer

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Christopher Meyer

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

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 29, 2019 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: November 7, 2019

/s/ David J. Deno

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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.

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 29, 2019 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: November 7, 2019

/s/ Christopher Meyer

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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.