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

# FORM 10-Q

**(Mark One)**

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

For the quarterly period ended June 26, 2016

or

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

For the transition period from ______ to ______

Commission File Number: 001-35625

# BLOOMIN' BRANDS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 July 29, 2016, 111,940,924 shares of common stock of the registrant were outstanding.

**BLOOMIN' BRANDS, INC.**

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended June 26, 2016
(Unaudited)

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BLOOMIN' BRANDS, INC.

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

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

| | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 102,074 | $ 132,337 |
| Current portion of restricted cash and cash equivalents | 802 | 6,772 |
| Inventories | 67,682 | 80,704 |
| Current portion of assets held for sale | 29,943 | 784 |
| Other current assets, net | 95,647 | 198,047 |
| Total current assets | 296,148 | 418,644 |
| Restricted cash | — | 16,265 |
| Long-term portion of assets held for sale | 16,884 | — |
| Property, fixtures and equipment, net | 1,498,342 | 1,594,460 |
| Goodwill | 304,613 | 300,861 |
| Intangible assets, net | 541,690 | 546,837 |
| Deferred income tax assets | 342 | 7,631 |
| Other assets, net | 126,360 | 147,871 |
| Total assets | $ 2,784,379 | $ 3,032,569 |

(CONTINUED...)

## BLOOMIN' BRANDS, INC.

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

| | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | $ 202,953 | $ 193,116 |
| Accrued and other current liabilities | 210,313 | 206,611 |
| Unearned revenue | 264,941 | 382,586 |
| Current portion of liabilities held for sale | 18,350 | — |
| Current portion of long-term debt, net | 28,288 | 31,853 |
| Total current liabilities | 724,845 | 814,166 |
| Deferred rent | 147,004 | 139,758 |
| Deferred income tax liabilities | 38,259 | 53,546 |
| Long-term liabilities held for sale | 4,077 | — |
| Long-term debt, net | 1,210,370 | 1,285,011 |
| Other long-term liabilities, net | 326,425 | 294,662 |
| Total liabilities | 2,450,980 | 2,587,143 |
| Commitments and contingencies (Note 16) | | |
| Mezzanine Equity | | |
| Redeemable noncontrolling interests | 24,134 | 23,526 |
| Stockholders' Equity | | |
| Bloomin' Brands Stockholders' Equity | | |
| Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of June 26, 2016 and December 27, 2015 | — | — |
| Common stock, $0.01 par value, 475,000,000 shares authorized; 111,865,247 and 119,214,522 shares issued and outstanding as of June 26, 2016 and December 27, 2015, respectively | 1,119 | 1,192 |
| Additional paid-in capital | 1,068,757 | 1,072,861 |
| Accumulated deficit | (633,205) | (518,360) |
| Accumulated other comprehensive loss | (140,060) | (147,367) |
| Total Bloomin' Brands stockholders' equity | 296,611 | 408,326 |
| Noncontrolling interests | 12,654 | 13,574 |
| Total stockholders' equity | 309,265 | 421,900 |
| Total liabilities, mezzanine equity and stockholders' equity | $ 2,784,379 | $ 3,032,569 |

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

## BLOOMIN' BRANDS, INC.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Revenues | | | | |
| Restaurant sales | $ 1,072,519 | $ 1,092,759 | $ 2,230,571 | $ 2,287,569 |
| Other revenues | 6,069 | 6,838 | 12,205 | 14,087 |
| Total revenues | 1,078,588 | 1,099,597 | 2,242,776 | 2,301,656 |
| Costs and expenses | | | | |
| Cost of sales | 346,811 | 357,455 | 722,099 | 744,923 |
| Labor and other related | 309,155 | 301,039 | 631,960 | 625,025 |
| Other restaurant operating | 250,443 | 254,281 | 504,014 | 518,319 |
| Depreciation and amortization | 49,004 | 47,375 | 96,655 | 93,861 |
| General and administrative | 68,566 | 75,962 | 143,591 | 149,209 |
| Provision for impaired assets and restaurant closings | 41,276 | 900 | 44,440 | 10,033 |
| Total costs and expenses | 1,065,255 | 1,037,012 | 2,142,759 | 2,141,370 |
| Income from operations | 13,333 | 62,585 | 100,017 | 160,286 |
| Loss on defeasance, extinguishment and modification of debt | — | (2,638) | (26,580) | (2,638) |
| Other (expense) income, net | (1) | 57 | (20) | (1,090) |
| Interest expense, net | (10,302) | (12,867) | (23,177) | (26,065) |
| Income before provision for income taxes | 3,030 | 47,137 | 50,240 | 130,493 |
| Provision for income taxes | 11,095 | 14,081 | 22,422 | 35,355 |
| Net (loss) income | (8,065) | 33,056 | 27,818 | 95,138 |
| Less: net income attributable to noncontrolling interests | 1,112 | 830 | 2,520 | 2,324 |
| Net (loss) income attributable to Bloomin' Brands | $ (9,177) | $ 32,226 | $ 25,298 | $ 92,814 |
| | | | | |
| Net (loss) income | $ (8,065) | $ 33,056 | $ 27,818 | $ 95,138 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | 19,965 | (26,182) | 12,680 | (51,644) |
| Unrealized (losses) gains on derivatives, net of tax | (2,187) | 844 | (4,922) | (3,168) |
| Reclassification of adjustment for loss on derivatives included in net income, net of tax | 967 | — | 1,955 | — |
| Comprehensive income | 10,680 | 7,718 | 37,531 | 40,326 |
| Less: comprehensive income attributable to noncontrolling interests | 2,820 | 830 | 4,926 | 2,324 |
| Comprehensive income attributable to Bloomin' Brands | $ 7,860 | $ 6,888 | $ 32,605 | $ 38,002 |
| | | | | |
| (Loss) earnings per share: | | | | |
| Basic | $ (0.08) | $ 0.26 | $ 0.22 | $ 0.75 |
| Diluted | $ (0.08) | $ 0.26 | $ 0.21 | $ 0.73 |
| Weighted average common shares outstanding: | | | | |
| Basic | 113,330 | 123,046 | 115,630 | 124,174 |
| Diluted | 113,330 | 126,242 | 118,560 | 127,501 |
| | | | | |
| Cash dividends declared per common share | $ 0.07 | $ 0.06 | $ 0.14 | $ 0.12 |

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

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# BLOOMIN' BRANDS, INC.

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

| | BLOOMIN' BRANDS, INC. | | | | | | |
|---|---|---|---|---|---|---|---|
| | COMMON STOCK | | | | | | |
| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUM-ULATED DEFICIT | ACCUMULATED OTHER COMPREHENSIVE LOSS | NON-CONTROLLING INTERESTS | TOTAL |
| Balance, December 27, 2015 | 119,215 | $ 1,192 | $ 1,072,861 | $ (518,360) | $ (147,367) | $ 13,574 | $ 421,900 |
| Net income | — | — | — | 25,298 | — | 2,139 | 27,437 |
| Other comprehensive income (loss), net of tax | — | — | — | — | 7,307 | (24) | 7,283 |
| Cash dividends declared, $0.14 per common share | — | — | (16,216) | — | — | — | (16,216) |
| Repurchase and retirement of common stock | (7,775) | (78) | — | (139,814) | — | — | (139,892) |
| Stock-based compensation | — | — | 12,854 | — | — | — | 12,854 |
| Tax shortfall from stock-based compensation | — | — | (594) | — | — | — | (594) |
| Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes | 425 | 5 | 632 | (329) | — | — | 308 |
| Change in the redemption value of redeemable interests | — | — | (1,349) | — | — | — | (1,349) |
| Purchase of noncontrolling interests, net of tax of $522 | — | — | 569 | — | — | 164 | 733 |
| Distributions to noncontrolling interests | — | — | — | — | — | (3,652) | (3,652) |
| Contributions from noncontrolling interests | — | — | — | — | — | 453 | 453 |
| Balance, June 26, 2016 | 111,865 | $ 1,119 | $ 1,068,757 | $ (633,205) | $ (140,060) | $ 12,654 | $ 309,265 |

(CONTINUED...)

# BLOOMIN' BRANDS, INC.

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

| | BLOOMIN' BRANDS, INC. | | | | | | |
|---|---|---|---|---|---|---|---|
| | COMMON STOCK | | | | | | |
| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUM-ULATED DEFICIT | ACCUMULATED OTHER COMPREHENSIVE LOSS | NON-CONTROLLING INTERESTS | TOTAL |
| Balance, December 28, 2014 | 125,950 | $ 1,259 | $ 1,085,627 | $ (474,994) | $ (60,542) | $ 5,099 | $ 556,449 |
| Net income | — | — | — | 92,814 | — | 2,128 | 94,942 |
| Other comprehensive loss, net of tax | — | — | — | — | (54,812) | — | (54,812) |
| Cash dividends declared, $0.12 per common share | — | — | (14,814) | — | — | — | (14,814) |
| Repurchase and retirement of common stock | (4,129) | (41) | — | (99,959) | — | — | (100,000) |
| Stock-based compensation | — | | 10,215 | — | — | — | 10,215 |
| Excess tax benefit from stock-based compensation | — | — | 1,272 | — | — | — | 1,272 |
| Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes | 804 | 8 | 6,004 | (525) | — | — | 5,487 |
| Purchase of limited partnership interests, net of tax | — | — | (229) | — | — | — | (229) |
| Distributions to noncontrolling interests | — | — | — | — | — | (2,729) | (2,729) |
| Contributions from noncontrolling interests | — | — | — | — | — | 167 | 167 |
| Balance, June 28, 2015 | 122,625 | $ 1,226 | $ 1,088,075 | $ (482,664) | $ (115,354) | $ 4,665 | $ 495,948 |

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

**BLOOMIN' BRANDS, INC.**

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

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 |
| Cash flows provided by operating activities: | | |
| Net income | $ 27,818 | $ 95,138 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 96,655 | 93,861 |
| Amortization of deferred discounts and issuance costs | 2,542 | 2,439 |
| Amortization of deferred gift card sales commissions | 15,832 | 15,548 |
| Provision for impaired assets and restaurant closings | 44,440 | 10,033 |
| Stock-based and other non-cash compensation expense | 11,454 | 11,810 |
| Deferred income tax expense | 3,187 | 1,931 |
| Loss on defeasance, extinguishment and modification of debt | 26,580 | 2,638 |
| Excess tax benefit from stock-based compensation | (378) | (1,272) |
| Other non-cash items, net | (2,408) | (1,051) |
| Change in assets and liabilities: | | |
| Decrease in inventories | 12,085 | 6,352 |
| Decrease in other current assets | 81,652 | 66,321 |
| Decrease in other assets | 4,418 | 7,291 |
| Decrease in accounts payable and accrued and other current liabilities | (3,458) | (6,505) |
| Increase in deferred rent | 8,377 | 13,063 |
| Decrease in unearned revenue | (115,507) | (118,257) |
| Decrease in other long-term liabilities | (7,873) | (1,913) |
| Net cash provided by operating activities | 205,416 | 197,427 |
| Cash flows provided by (used in) investing activities: | | |
| Proceeds from disposal of property, fixtures and equipment | 527 | 3,104 |
| Proceeds from sale-leaseback transactions, net | 160,597 | — |
| Proceeds from sale of a business | — | 7,798 |
| Capital expenditures | (109,319) | (114,251) |
| Decrease in restricted cash | 35,238 | 31,694 |
| Increase in restricted cash | (12,999) | (29,216) |
| Other investments, net | (3,910) | 11,550 |
| Net cash provided by (used in) investing activities | $ 70,134 | $ (89,321) |

(CONTINUED...)

## BLOOMIN' BRANDS, INC.

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

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 |
| Cash flows used in financing activities: | | |
| Proceeds from issuance of long-term debt, net | $ 294,699 | $ — |
| Defeasance, extinguishment and modification of debt | (478,906) | (215,000) |
| Repayments of long-term debt | (103,728) | (29,419) |
| Proceeds from borrowings on revolving credit facilities, net | 414,000 | 396,101 |
| Repayments of borrowings on revolving credit facilities | (233,000) | (152,300) |
| Proceeds from the exercise of share-based compensation | 637 | 6,012 |
| Distributions to noncontrolling interests | (3,652) | (2,729) |
| Contributions from noncontrolling interests | 539 | 167 |
| Purchase of limited partnership and noncontrolling interests | (8,983) | (652) |
| Repayments of partner deposits and accrued partner obligations | (10,018) | (27,231) |
| Repurchase of common stock | (140,221) | (100,525) |
| Excess tax benefit from stock-based compensation | 378 | 1,272 |
| Cash dividends paid on common stock | (16,216) | (14,814) |
| Net cash used in financing activities | (284,471) | (139,118) |
| Effect of exchange rate changes on cash and cash equivalents | 853 | (1,960) |
| Transfers of cash and cash equivalents to assets held for sale | (22,195) | — |
| Net decrease in cash and cash equivalents | (30,263) | (32,972) |
| Cash and cash equivalents as of the beginning of the period | 132,337 | 165,744 |
| Cash and cash equivalents as of the end of the period | $ 102,074 | $ 132,772 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 23,031 | $ 25,730 |
| Cash paid for income taxes, net of refunds | 15,087 | 10,883 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Change in acquisition of property, fixtures and equipment included in accounts payable or capital lease liabilities | $ 15,721 | $ (3,015) |

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, Inc., through its subsidiaries ("Bloomin' Brands" or the "Company"), owns and operates casual, upscale casual and fine dining restaurants. The Company's restaurant portfolio has four concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar. 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 the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 27, 2015.

*Recently Issued Financial Accounting Standards Not Yet Adopted* - In March 2016, the Financial Accounting Standards Board ("the FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU No. 2016-09"). ASU No. 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. ASU No. 2016-09 will be effective for the Company in fiscal year 2017. While reducing the complexity of the accounting for share based-payments, ASU No. 2016-09 is expected to impact net income, earnings per share and cash flows.

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

In August 2014, the FASB issued ASU No. 2014-15: "Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU No. 2014-15"). ASU No. 2014-15 will explicitly require management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard is applicable for all entities and will be effective for the Company's fiscal year 2016 annual reporting period. The Company does not expect ASU No. 2014-15 to have a material impact on its financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09"). ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers and supersedes current revenue recognition standards. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. ASU No. 2014-09, as amended by ASU No. 2015-14 "Revenue from Contracts with Customers (Topic 606)—Deferral of the Effective Date", ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606)—Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606)—Identifying Performance Obligations and Licensing" and ASU No. 2016-12 "Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients", will be effective for the Company in fiscal year 2018 and is applied retrospectively to each period presented or as a cumulative effect adjustment at the date of adoption. The Company has not selected a transition method and is evaluating the impact this guidance will have on its financial position, results of operations and cash flows.

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

*Reclassifications* - The Company reclassified certain items in the accompanying consolidated financial statements for prior periods to be comparable with the classification for the current period. These reclassifications had no effect on previously reported net (loss) income.

2. Impairments, Disposals and Exit Costs

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Impairment losses | | | | |
| U.S. | $ 81 | $ 111 | $ 81 | $ 1,406 |
| International | 39,636 | — | 39,636 | — |
| Corporate | — | 746 | — | 746 |
| Total impairment losses | $ 39,717 | $ 857 | $ 39,717 | $ 2,152 |
| Restaurant closure expenses | | | | |
| U.S. | $ 1,221 | $ 340 | $ 4,849 | $ 1,774 |
| International | 338 | (297) | (126) | 6,107 |
| Total restaurant closure expenses | $ 1,559 | $ 43 | $ 4,723 | $ 7,881 |
| Provision for impaired assets and restaurant closings | $ 41,276 | $ 900 | $ 44,440 | $ 10,033 |

*Outback South Korea* - On July 7, 2016, the Company entered into an agreement to sell its Outback Steakhouse subsidiary in South Korea ("Outback South Korea") for a purchase price of $50.0 million, in cash. In connection with the decision to sell Outback South Korea, the Company recognized an impairment charge of $39.6 million, including estimated costs to sell of $3.3 million, within the International segment during the thirteen and twenty-six weeks ended June 26, 2016. After completion of the sale on July 25, 2016, the Company's restaurant locations in South Korea are operated as franchises under an agreement with the buyer.

As of June 26, 2016, in connection with the sale, the Company recognized deferred tax liabilities of $3.5 million to reflect management's change in assertion of permanent reinvestment of undistributed earnings in South Korea.

**BLOOMIN' BRANDS, INC.**

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

Following are the assets and liabilities of Outback South Korea as of June 26, 2016:

| (dollars in thousands) | JUNE 26, 2016 | |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ | 22,195 |
| Other current assets, net | | 6,907 |
| Property, fixtures and equipment, net | | 26,922 |
| Goodwill | | 1,901 |
| Deferred income tax assets | | 7,252 |
| Other assets, net | | 20,445 |
| Total assets (1) | | 85,622 |
| Impairment on carrying value of assets held for sale (2) | | (39,636) |
| Total assets, net of impairment | $ | 45,986 |
| | | |
| Liabilities | | |
| Accrued and other current liabilities | $ | 16,201 |
| Unearned revenue | | 2,149 |
| Deferred rent | | 1,175 |
| Other long-term liabilities, net | | 2,902 |
| Total liabilities (1) | $ | 22,427 |

(1) Certain assets and liabilities of Outback South Korea are classified as non-current in the Consolidated Balance Sheet as of June 26, 2016, since net proceeds from the sale will be used to make a payment on the revolving credit facility, which is classified as a non-current liability.
(2) After considering the effect of foreign currency translation adjustments of $20.6 million included in Accumulated other comprehensive loss, the Company recognized an impairment charge of $39.6 million.

Following are the components of Outback South Korea included in the Consolidated Statements of Operations and Comprehensive Income for the following periods:

| | THIRTEEN WEEKS ENDED | | | | TWENTY-SIX WEEKS ENDED | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | | JUNE 28, 2015 | | JUNE 26, 2016 | | JUNE 28, 2015 | |
| Restaurant sales | $ | 36,690 | $ | 36,232 | $ | 78,702 | $ | 86,367 |
| Loss before income taxes (1) | $ | (38,601) | $ | (151) | $ | (34,594) | $ | (3,174) |

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

*Bonefish Restructuring* - On February 12, 2016, the Company decided to close 14 Bonefish restaurants ("Bonefish Restructuring"). The Company expects to substantially complete these restaurant closings through the first quarter of 2019. In connection with the Bonefish Restructuring, the Company recognized pre-tax restaurant and other closing costs of approximately $0.8 million and $4.4 million during the thirteen and twenty-six weeks ended June 26, 2016, respectively, which were recorded within the U.S. segment.

The Company currently expects to incur additional charges of approximately $2.3 million to $4.9 million over the next five years, including costs associated with lease obligations, employee terminations and other closure-related obligations. Following is a summary of estimated pre-tax expense by type:

| | ESTIMATED EXPENSE (dollars in millions) | | | | |
|---|---|---|---|---|---|
| Lease-related liabilities, net of subleases | $ | 2.0 | to | $ | 4.0 |
| Employee severance and other obligations | $ | 0.3 | to | $ | 0.9 |

**BLOOMIN' BRANDS, INC.**

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

Total future cash expenditures of $11.1 million to $13.3 million, primarily related to lease liabilities, are expected to occur through October 2024.

*Restaurant Closure Initiatives* - During 2014, the Company decided to close 36 underperforming international locations, primarily in South Korea (the "International Restaurant Closure Initiative"). In 2013, the Company decided to close 22 underperforming domestic locations (the "Domestic Restaurant Closure Initiative").

Following is a summary of expenses related to the Bonefish Restructuring and International and Domestic Restaurant Closure Initiatives recognized in Provision for impaired assets and restaurant closings in the Company's Consolidated Statements of Operations and Comprehensive Income for the periods indicated (dollars in thousands):

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| ***Property, fixtures and equipment impairments*** | | | | |
| Domestic Restaurant Closure Initiative | $ 81 | $ — | $ 81 | $ — |
| ***Facility closure and other expenses*** | | | | |
| Bonefish Restructuring | 807 | — | 4,380 | — |
| International Restaurant Closure Initiative | 338 | (309) | (124) | 6,095 |
| Domestic Restaurant Closure Initiative | — | — | — | 1,337 |
| | $ 1,226 | $ (309) | $ 4,337 | $ 7,432 |

Following is a summary of expenses related to the Domestic and International Restaurant Closure Initiatives and the Bonefish Restructuring recognized in the Company's Consolidated Statements of Operations and Comprehensive Income (dollars in thousands):

| | | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|---|
| DESCRIPTION | LOCATION OF CHARGE IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Impairments, facility closure and other expenses | Provision for impaired assets and restaurant closings | $ 1,226 | $ (309) | $ 4,337 | $ 7,432 |
| Severance and other expenses | General and administrative | 26 | 246 | 624 | 1,573 |
| Reversal of deferred rent liability | Other restaurant operating | (876) | — | (2,801) | (198) |
| | | $ 376 | $ (63) | $ 2,160 | $ 8,807 |

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
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The following table summarizes the Company's accrual activity related to facility closure and other costs, primarily associated with the Bonefish Restructuring and Domestic and International Restaurant Closure Initiatives, during the twenty-six weeks ended June 26, 2016:

| (dollars in thousands) | TWENTY-SIX WEEKS ENDED JUNE 26, 2016 |
|---|---|
| Beginning of the period | $ 5,699 |
| Charges | 4,863 |
| Cash payments | (3,584) |
| Adjustments | (140) |
| End of the period (1) | $ 6,838 |

(1) As of June 26, 2016, the Company had exit-related accruals of $2.2 million recorded in Accrued and other current liabilities and $4.6 million recorded in Other long-term liabilities, net in the Consolidated Balance Sheet.

## 3. (Loss) Earnings Per Share

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (in thousands, except per share data) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Net (loss) income attributable to Bloomin' Brands | $ (9,177) | $ 32,226 | $ 25,298 | $ 92,814 |
| Basic weighted average common shares outstanding | 113,330 | 123,046 | 115,630 | 124,174 |
| Effect of diluted securities: | | | | |
| Stock options | — | 3,025 | 2,719 | 3,123 |
| Nonvested restricted stock and restricted stock units | — | 171 | 208 | 201 |
| Nonvested performance-based share units | — | — | 3 | 3 |
| Diluted weighted average common shares outstanding | 113,330 | 126,242 | 118,560 | 127,501 |
| Basic (loss) earnings per share | $ (0.08) | $ 0.26 | $ 0.22 | $ 0.75 |
| Diluted (loss) earnings per share | $ (0.08) | $ 0.26 | $ 0.21 | $ 0.73 |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (in thousands) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Stock options | 8,269 | 2,899 | 4,854 | 2,510 |
| Nonvested restricted stock and restricted stock units | 587 | 26 | 376 | 43 |
| Nonvested performance-based share units | 77 | — | 83 | — |

## 4. Stock-based and Deferred Compensation Plans

### Stock-based Compensation Plans

*Equity Compensation Plans* - On April 22, 2016, the Company's shareholders approved the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan (the "2016 Incentive Plan"). Following approval of the 2016 Incentive

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Plan, no further awards have been granted under the Company's previous equity compensation plans. Existing awards under previous plans continue to vest in accordance with the original vesting schedule and will expire at the end of their original term. The 2016 Incentive Plan permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other cash-based or stock-based awards to Company management, other key employees, consultants and directors.

As of June 26, 2016, the maximum number of shares of common stock available for issuance pursuant to the 2016 Incentive Plan was 5,297,128.

*Performance-based Share Units* - During the twenty-six weeks ended June 26, 2016, the Company granted performance-based share units that vest after three years based on the achievement of certain Company performance criteria as set forth in the award agreement and may range from zero to 200% of the target grant.

The Company recognized stock-based compensation expense as follows:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Stock options | $ 3,301 | $ 2,552 | $ 6,019 | $ 4,979 |
| Restricted stock and restricted stock units | 2,518 | 1,741 | 4,562 | 3,150 |
| Performance-based share units | 867 | 940 | 1,752 | 1,689 |
| | $ 6,686 | $ 5,233 | $ 12,333 | $ 9,818 |

During the twenty-six weeks ended June 26, 2016, the Company made grants to its employees of 2.9 million stock options, 1.0 million time-based restricted stock units and 0.4 million performance-based share units.

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

| | TWENTY-SIX WEEKS ENDED |
|---|---|
| | **JUNE 26, 2016** |
| Assumptions: | |
| Weighted-average risk-free interest rate (1) | 1.3% |
| Dividend yield (2) | 1.6% |
| Expected term (3) | 6.1 years |
| Weighted-average volatility (4) | 35.2% |
| | |
| Weighted-average grant date fair value per option | $ 5.27 |

(1) Risk-free interest rate is the U.S. Treasury yield curve in effect as of the grant date for periods within the contractual life of the option.
(2) Dividend yield is the level of dividends expected to be paid on the Company's common stock over the expected term of the option.
(3) Expected term represents the period of time that the options are expected to be outstanding. The simplified method of estimating the expected term is used since the Company does not have significant historical exercise experience for its stock options.
(4) Volatility is based on the historical volatilities of the Company's stock and the stock of comparable peer companies.

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

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of June 26, 2016:

| | UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands) | REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years) |
|---|---|---|
| Stock options | $ 28,092 | 2.6 |
| Restricted stock and restricted stock units | $ 27,615 | 3.0 |
| Performance-based share units | $ 4,607 | 1.9 |

## 5. Other Current Assets, Net

Other current assets, net, consisted of the following:

| (dollars in thousands) | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| Prepaid expenses | $ 25,568 | $ 30,373 |
| Accounts receivable - gift cards, net | 23,372 | 115,926 |
| Accounts receivable - vendors, net | 9,306 | 10,310 |
| Accounts receivable - franchisees, net | 1,811 | 1,149 |
| Accounts receivable - other, net | 20,299 | 21,158 |
| Other current assets, net | 15,291 | 19,131 |
| | $ 95,647 | $ 198,047 |

## 6. Property, Fixtures and Equipment, Net

During the twenty-six weeks ended June 26, 2016, the Company entered into sale-leaseback transactions with third-parties in which it sold 46 restaurant properties at fair market value for gross proceeds of $163.5 million. The Company recorded a deferred gain on the sale of certain of the properties of $53.8 million, primarily in Other long-term liabilities, net in its Consolidated Balance Sheet. Deferred gains from these sale-leaseback transactions are amortized to General and administrative expense in the Consolidated Statements of Operations and Comprehensive Income over the initial term of each lease, ranging from 15 to 20 years.

## 7. Goodwill, Net

*Goodwill* - The following table is a rollforward of goodwill:

| (dollars in thousands) | U.S. | INTERNATIONAL | CONSOLIDATED |
|---|---|---|---|
| Balance as of December 27, 2015 | $ 172,711 | $ 128,150 | $ 300,861 |
| Translation adjustments | — | 5,653 | 5,653 |
| Transfer to Assets held for sale (1) | — | (1,901) | (1,901) |
| Balance as of June 26, 2016 | $ 172,711 | $ 131,902 | $ 304,613 |

(1) During the twenty-six weeks ended June 26, 2016, the Company reclassified Goodwill associated with Outback South Korea to assets held for sale. Refer to Note 2 - *Impairments, Disposals and Exit Costs* for further discussion.

The Company performed its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during the fiscal second quarters of 2016 and 2015. In connection with these assessments, the Company did not record any goodwill or indefinite-lived intangible impairment charges.

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## 8. Other Assets, Net

Other assets, net, consisted of the following:

| (dollars in thousands) | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| Company-owned life insurance | $ 71,697 | $ 68,950 |
| Deferred financing fees (1) | 3,181 | 3,730 |
| Liquor licenses | 27,865 | 27,869 |
| Other assets | 23,617 | 47,322 |
| | $ 126,360 | $ 147,871 |

(1) Net of accumulated amortization of $2.7 million and $2.2 million as of June 26, 2016 and December 27, 2015, respectively.

## 9. Long-term Debt, Net

Following is a summary of outstanding long-term debt:

| | JUNE 26, 2016 | | DECEMBER 27, 2015 | |
|---|---|---|---|---|
| (dollars in thousands) | OUTSTANDING BALANCE | INTEREST RATE | OUTSTANDING BALANCE | INTEREST RATE |
| Senior Secured Credit Facility: | | | | |
| Term loan A (1) | $ 270,000 | 2.44% | $ 277,500 | 2.26% |
| Term loan A-1 | 146,250 | 2.41% | 150,000 | 2.34% |
| Revolving credit facility (1) | 613,000 | 2.43% | 432,000 | 2.29% |
| Total Senior Secured Credit Facility | $ 1,029,250 | | $ 859,500 | |
| PRP Mortgage Loan (2) | $ 212,153 | 2.91% | $ — | —% |
| 2012 CMBS loan: | | | | |
| First mortgage loan (1) | $ — | —% | $ 289,588 | 4.13% |
| First mezzanine loan | — | —% | 84,028 | 9.00% |
| Second mezzanine loan | — | —% | 85,353 | 11.25% |
| Total 2012 CMBS loan | $ — | | $ 458,969 | |
| Capital lease obligations | $ 2,541 | | $ 2,632 | |
| Other long-term debt | 1,785 | 0.73% to 7.60% | 2,292 | 0.73% to 7.60% |
| Less: unamortized debt discount and issuance costs | (7,071) | | (6,529) | |
| | $ 1,238,658 | | $ 1,316,864 | |
| Less: current portion of long-term debt, net (2) | (28,288) | | (31,853) | |
| Long-term debt, net | $ 1,210,370 | | $ 1,285,011 | |

(1) Represents the weighted-average interest rate for the respective period.
(2) Subsequent to June 26, 2016, PRP entered into an amendment to its existing PRP Mortgage Loan. See Note 18 - *Subsequent Events* for further discussion.

*PRP Mortgage Loan* - On February 11, 2016, New Private Restaurant Partners, LLC, an indirect wholly-owned subsidiary of the Company ("PRP"), as borrower, and Wells Fargo Bank, National Association, as lender (the "Lender"), entered into a loan agreement (the "PRP Mortgage Loan"), pursuant to which PRP borrowed $300.0 million. The PRP Mortgage Loan has an initial maturity date of February 11, 2018 (the "Initial Maturity") with an option to extend the Initial Maturity for one twelve-month extension period (the "Extension") provided that certain conditions are satisfied. The PRP Mortgage Loan is collateralized by certain properties owned by PRP ("Collateral Properties"). PRP has also made negative pledges with respect to certain properties ("Unencumbered Properties").

The proceeds of the PRP Mortgage Loan were used, together with borrowings under the Company's revolving credit facility, to prepay a portion, and fully defease the remainder, of the 2012 CMBS loan. In connection with the defeasance, the Company recognized a loss of $26.6 million during the thirteen weeks ended March 27, 2016. Following the defeasance of the 2012 CMBS loan, $19.3 million of restricted cash was released.

The PRP Mortgage Loan bears interest, payable monthly, at a variable rate equal to 250 basis points above the seven-day LIBOR, subject to adjustment in certain circumstances.

*Deferred Financing Fees* - During the first quarter of 2016, the Company deferred $5.3 million of financing costs incurred in connection with the PRP Mortgage Loan. The deferred financing costs are included in Long-term debt, net in the Consolidated Balance Sheet.

*Debt Covenants* - As of June 26, 2016 and December 27, 2015, the Company was in compliance with its debt covenants.

## 10. Other Long-term Liabilities, Net

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

| (dollars in thousands) | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| Accrued insurance liability | $ 39,200 | $ 40,649 |
| Unfavorable leases, net of accumulated amortization | 43,568 | 45,375 |
| Chef and Restaurant Managing Partner deferred compensation obligations and deposits | 116,347 | 134,470 |
| Deferred gain on sale-leaseback transactions, net of accumulated amortization (1) | 82,330 | 33,154 |
| Other long-term liabilities | 44,980 | 41,014 |
| | $ 326,425 | $ 294,662 |

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(1) Refer to Note 6 - *Property, Fixtures and Equipment, Net* for discussion of the sale-leaseback transactions.

## 11. Redeemable Noncontrolling Interests

The Company consolidates subsidiaries in Brazil and China, each of which have noncontrolling interests that are permitted to deliver subsidiary shares in exchange for cash at a future date. The following table presents a rollforward of Redeemable noncontrolling interests during the twenty-six weeks ended June 26, 2016 and June 28, 2015:

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | JUNE 28, 2015 |
| Balance, beginning of period | $ 23,526 | $ 24,733 |
| Change in redemption value of Redeemable noncontrolling interests | 1,349 | — |
| Foreign currency translation attributable to Redeemable noncontrolling interests | 2,430 | — |
| Net income attributable to Redeemable noncontrolling interests | 381 | 196 |
| Purchase of and contributions by Redeemable noncontrolling interests | (3,552) | (459) |
| Balance, end of period | $ 24,134 | $ 24,470 |

*Brazil Redeemable Noncontrolling Interests* - During the twenty-six weeks ended June 26, 2016, certain former equity holders of PGS Consultoria e Serviços Ltda. (the "Brazil Joint Venture") exercised options to sell their remaining interests to the Company for $2.2 million. This transaction resulted in a reduction of $3.6 million of Mezzanine equity and an increase of $1.4 million of Additional paid-in capital during the twenty-six weeks ended June 26, 2016. As a result of the option exercise, the Company now owns 91.29% of the Brazil Joint Venture. Various call and put options related to the Brazil Joint Venture remain through 2018, subject to acceleration in certain circumstances.

12. Stockholders' Equity

*Share Repurchases* - In August 2015, the Board of Directors ("the Board") approved a share repurchase program (the "2015 Share Repurchase Program") under which the Company was authorized to repurchase up to $100.0 million of its outstanding common stock. The Board canceled the remaining $30.0 million of authorization under the 2015 Share Repurchase Program and approved a new $250.0 million authorization (the "2016 Share Repurchase Program") on February 12, 2016.

On July 26, 2016, the Board canceled the remaining $110.1 million of authorization under the 2016 Share Repurchase Program and approved a new $300.0 million authorization (the "July 2016 Share Repurchase Program"). The July 2016 Share Repurchase Program will expire on January 26, 2018.

Following is a summary of the shares repurchased under the Company's share repurchase programs:

| | NUMBER OF SHARES (in thousands) | AVERAGE REPURCHASE PRICE PER SHARE | AMOUNT (dollars in thousands) |
|---|---|---|---|
| Thirteen weeks ended March 27, 2016 | 4,399 | $ 17.05 | $ 75,000 |
| Thirteen weeks ended June 26, 2016 | 3,376 | $ 19.22 | 64,892 |
| Total common stock repurchases | 7,775 | $ 17.99 | $ 139,892 |

*Dividends* - The Company declared and paid dividends per share during the period presented as follows:

| | DIVIDENDS PER SHARE | AMOUNT (dollars in thousands) |
|---|---|---|
| Thirteen weeks ended March 27, 2016 | $ 0.07 | $ 8,238 |
| Thirteen weeks ended June 26, 2016 | 0.07 | 7,978 |
| Total cash dividends declared and paid | $ 0.14 | $ 16,216 |

In July 2016, the Board declared a quarterly cash dividend of $0.07 per share, payable on August 25, 2016, to shareholders of record at the close of business on August 10, 2016.

*Acquisition of Noncontrolling Interests* - During the twenty-six weeks ended June 26, 2016, the Company purchased the remaining partnership interests in certain of the Company's limited partnerships for two Outback Steakhouse restaurants for an aggregate purchase price of $1.2 million. These transactions resulted in a reduction of $0.8 million, net of tax, in Additional paid-in capital in the Company's Consolidated Statement of Changes in Stockholders' Equity during the twenty-six weeks ended June 26, 2016.

The following table sets forth the effect of the acquisition of the limited partnership interests on stockholders' equity attributable to Bloomin' Brands for the twenty-six weeks ended June 26, 2016:

| (dollars in thousands) | NET INCOME ATTRIBUTABLE TO BLOOMIN' BRANDS AND TRANSFERS TO NONCONTROLLING INTERESTS<br>TWENTY-SIX WEEKS ENDED<br>JUNE 26, 2016 |
|---|---|
| Net income attributable to Bloomin' Brands | $ 25,298 |
| Transfers to noncontrolling interests: | |
| Decrease in Bloomin' Brands additional paid-in capital for purchase of limited partnership interests | (820) |
| Change from net income attributable to Bloomin' Brands and transfers to noncontrolling interests | $ 24,478 |

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

| (dollars in thousands) | JUNE 26, 2016 | DECEMBER 27, 2015 |
|---|---|---|
| Foreign currency translation adjustment (1) | $ (130,902) | $ (141,176) |
| Unrealized losses on derivatives, net of tax | (9,158) | (6,191) |
| Accumulated other comprehensive loss | $ (140,060) | $ (147,367) |

(1) As of June 26, 2016, the Company reclassified the assets and liabilities of Outback South Korea to held for sale. Approximately $20.6 million of the foreign currency translation adjustment in Accumulated other comprehensive loss as of June 26, 2016 was associated with Outback South Korea. Refer to Note 2 - *Impairments, Disposals and Exit Costs* for further discussion.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| ***Bloomin' Brands:*** | | | | |
| Foreign currency translation adjustment | $ 18,257 | $ (26,182) | $ 10,274 | $ (51,644) |
| | | | | |
| Unrealized (losses) gains on derivatives, net of tax (1) | $ (2,187) | $ 844 | $ (4,922) | $ (3,168) |
| Reclassification of adjustment for loss on derivatives included in Net (loss) income, net of tax (2) | 967 | — | 1,955 | — |
| Total unrealized losses on derivatives, net of tax | $ (1,220) | $ 844 | $ (2,967) | $ (3,168) |
| Other comprehensive income (loss) attributable to Bloomin' Brands | $ 17,037 | $ (25,338) | $ 7,307 | $ (54,812) |
| ***Non-controlling interests:*** | | | | |
| Foreign currency translation adjustment | $ (30) | $ — | $ (24) | $ — |
| Other comprehensive loss attributable to Non-controlling interests | $ (30) | $ — | $ (24) | $ — |
| ***Redeemable non-controlling interests:*** | | | | |
| Foreign currency translation adjustment | $ 1,738 | $ — | $ 2,430 | $ — |
| Other comprehensive income attributable to Redeemable non-controlling interests | $ 1,738 | $ — | $ 2,430 | $ — |

(1) Amounts attributable to Bloomin' Brands are net of tax benefit (expense) of $1.4 million and ($0.5) million for the thirteen weeks ended June 26, 2016 and June 28, 2015, respectively and tax benefit of $3.2 million and $2.0 million for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively.
(2) Amounts attributable to Bloomin' Brands are net of tax benefit of $0.6 million and $1.3 million for the thirteen and twenty-six weeks ended June 26, 2016.

## 13. Derivative Instruments and Hedging Activities

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

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

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

DESIGNATED HEDGES

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

The interest rate swaps, which have been designated and qualify as a cash flow hedge, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. Fair value changes in the interest rate swaps are recognized in AOCL for all effective portions. Balances in AOCL are subsequently reclassified to earnings in the same period that the hedged interest payments affect earnings. The Company estimates $6.1 million will be reclassified to interest expense over the next twelve months.

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

| (dollars in thousands) | JUNE 26, 2016 | DECEMBER 27, 2015 | CONSOLIDATED BALANCE SHEET CLASSIFICATION |
|---|---|---|---|
| Interest rate swaps - liability | $ 5,709 | $ 5,142 | Accrued and other current liabilities |
| Interest rate swaps - liability | 9,311 | 5,007 | Other long-term liabilities, net |
| Total fair value of derivative instruments (1) | $ 15,020 | $ 10,149 | |
| | | | |
| Accrued interest | $ 470 | $ 556 | Accrued and other current liabilities |

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

The following table summarizes the effects of the interest rate swap on Net (loss) income for the thirteen and twenty-six weeks ended June 26, 2016:

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

(1) During the thirteen and twenty-six weeks ended June 26, 2016 and June 28, 2015, the Company did not recognize any gain or loss as a result of hedge ineffectiveness.

The Company records its derivatives on the Consolidated Balance Sheets on a gross balance basis. The Company's derivatives are subject to master netting arrangements. As of June 26, 2016, the Company did not have more than one derivative between the same counterparties and as such, there was no netting.

By utilizing the interest rate swaps, the Company is exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, the Company enters into derivative contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. As of June 26, 2016, all counterparties to the interest rate swaps had performed in accordance with their contractual obligations.

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

As of June 26, 2016 and December 27, 2015, the fair value of the Company's interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, was $15.8 million and $10.9 million, respectively. As of June 26, 2016 and December 27, 2015, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions as of June 26, 2016 and December 27, 2015, it could have been required to settle its obligations under the agreements at their termination value of $15.8 million and $10.9 million, respectively.

NON-DESIGNATED HEDGES

*Non-deliverable Foreign Currency Forward Contracts* - From time to time, the Company has entered into non-deliverable foreign currency forward contracts to partially offset the foreign currency exchange gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies. As of June 26, 2016, the Company had $68.9 million of outstanding notional amounts relating to its foreign currency forward contracts. The Company's foreign currency forward contracts are subject to master netting arrangements.

## 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 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 |

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

*Fair Value Measurements on a Recurring Basis* - The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis as of June 26, 2016 and December 27, 2015:

| | JUNE 26, 2016 | | | DECEMBER 27, 2015 | | |
|---|---|---|---|---|---|---|
| **(dollars in thousands)** | **TOTAL** | **LEVEL 1** | **LEVEL 2** | **TOTAL** | **LEVEL 1** | **LEVEL 2** |
| Assets: | | | | | | |
| Cash equivalents: | | | | | | |
| Fixed income funds | $ 206 | $ 206 | $ — | $ 6,333 | $ 6,333 | $ — |
| Money market funds | 18,461 | 18,461 | — | 7,168 | 7,168 | — |
| Restricted cash equivalents: | | | | | | |
| Fixed income funds | 551 | 551 | — | 551 | 551 | — |
| Money market funds | 251 | 251 | — | 2,681 | 2,681 | — |
| Other current assets, net: | | | | | | |
| Derivative instruments - foreign currency forward contracts | 606 | — | 606 | 59 | — | 59 |
| Total asset recurring fair value measurements | $ 20,075 | $ 19,469 | $ 606 | $ 16,792 | $ 16,733 | $ 59 |
| Liabilities: | | | | | | |
| Accrued and other current liabilities: | | | | | | |
| Derivative instruments - interest rate swaps | $ 5,709 | $ — | $ 5,709 | $ 5,142 | $ — | $ 5,142 |
| Derivative instruments - commodities | 371 | — | 371 | 583 | — | 583 |
| Derivative instruments - foreign currency forward contracts | 354 | — | 354 | 703 | — | 703 |
| Other long-term liabilities: | | | | | | |
| Derivative instruments - interest rate swaps | 9,311 | — | 9,311 | 5,007 | — | 5,007 |
| Total liability recurring fair value measurements | $ 15,745 | $ — | $ 15,745 | $ 11,435 | $ — | $ 11,435 |

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, foreign currency forward contracts and commodities. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The foreign currency forwards are valued by comparing the contracted forward exchange rate to the current market exchange rate. Key inputs for the valuation of the foreign currency forwards are spot rates, foreign currency forward rates, and the interest rate curve of the domestic currency. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. As of June 26, 2016 and December 27, 2015, 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
(UNAUDITED) - Continued

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

| | THIRTEEN WEEKS ENDED JUNE 26, 2016 | | TWENTY-SIX WEEKS ENDED JUNE 26, 2016 | |
|---|---|---|---|---|
| (dollars in thousands) | CARRYING VALUE (1) | TOTAL IMPAIRMENT | CARRYING VALUE (1) | TOTAL IMPAIRMENT |
| Assets held for sale | $ 43,995 | $ 39,717 | $ 43,995 | $ 39,717 |
| | $ 43,995 | $ 39,717 | $ 43,995 | $ 39,717 |

| | THIRTEEN WEEKS ENDED JUNE 28, 2015 | | TWENTY-SIX WEEKS ENDED JUNE 28, 2015 | |
|---|---|---|---|---|
| (dollars in thousands) | CARRYING VALUE (2) | TOTAL IMPAIRMENT | CARRYING VALUE (2) | TOTAL IMPAIRMENT |
| Assets held for sale | $ 3,353 | $ 857 | $ 3,353 | $ 1,028 |
| Property, fixtures and equipment | — | — | 950 | 1,124 |
| | $ 3,353 | $ 857 | $ 4,303 | $ 2,152 |

(1) Carrying value approximates fair value with all assets measured using Level 2 inputs for the thirteen and twenty-six weeks ended June 26, 2016. Executed sale contracts (Level 2) were used to estimate the fair value. Refer to Note 2 - *Impairments, Disposals and Exit Costs* for discussion of impairment related to Outback South Korea.

(2) Carrying value approximates fair value with all assets measured using Level 2 inputs for the thirteen and twenty-six weeks ended June 28, 2015. A third-party market appraisal (Level 2) and a purchase contract (Level 2) were used to estimate the fair value.

*Interim Disclosures about Fair Value of Financial Instruments* - The Company's non-derivative financial instruments as of June 26, 2016 and December 27, 2015 consist of cash equivalents, restricted cash, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amounts reported in the Consolidated Balance Sheets due to their short duration.

Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The following table includes the carrying value and fair value of the Company's debt by hierarchy level as of June 26, 2016 and December 27, 2015:

| | JUNE 26, 2016 | | | DECEMBER 27, 2015 | | |
|---|---|---|---|---|---|---|
| | | FAIR VALUE | | | FAIR VALUE | |
| (dollars in thousands) | CARRYING VALUE | LEVEL 2 | LEVEL 3 | CARRYING VALUE | LEVEL 2 | LEVEL 3 |
| Senior Secured Credit Facility: | | | | | | |
| Term loan A | $ 270,000 | $ 268,988 | $ — | $ 277,500 | $ 276,459 | $ — |
| Term loan A-1 | 146,250 | 145,702 | — | 150,000 | 149,438 | — |
| Revolving credit facility | 613,000 | 609,169 | — | 432,000 | 429,300 | — |
| PRP Mortgage Loan | 212,153 | — | 212,153 | — | — | — |
| 2012 CMBS loan: | | | | | | |
| Mortgage loan | — | — | — | 289,588 | — | 293,222 |
| First mezzanine loan | — | — | — | 84,028 | — | 83,608 |
| Second mezzanine loan | — | — | — | 85,353 | — | 85,780 |
| Other notes payable | 429 | — | 421 | 931 | — | 918 |

Fair value of debt is determined based on the following:

| DEBT FACILITY | METHODS AND ASSUMPTIONS |
|---|---|
| Senior Secured Credit Facility | Quoted market prices in inactive markets. |
| PRP Mortgage Loan | Assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management. |
| 2012 CMBS loan | Assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management. |
| Other notes payable | Discounted cash flow approach. Discounted cash flow inputs primarily include cost of debt rates which are used to derive the present value factors for the determination of fair value. |

## 15. Income Taxes

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Income before provision for income taxes | $ 3,030 | $ 47,137 | $ 50,240 | $ 130,493 |
| Provision for income taxes | $ 11,095 | $ 14,081 | $ 22,422 | $ 35,355 |
| Effective income tax rate | 366.2% | 29.9% | 44.6% | 27.1% |

The net increase in the effective income tax rate for the thirteen and twenty-six weeks ended June 26, 2016 was primarily due to impairment and the recording of additional tax liabilities, including incremental taxes on earnings that were previously considered permanently reinvested, in connection with the sale of Outback South Korea.

## 16. Commitments and Contingencies

*Litigation and Other Matters* - The Company had $4.5 million of liabilities recorded for various legal matters as of June 26, 2016 and December 27, 2015. Following is a summary of legal settlement costs the Company recognized in Other restaurant operating in its Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in thousands) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Legal settlements | $ 936 | $ (95) | $ 1,247 | $ 132 |

On October 4, 2013, two then-current employees (the "Nevada Plaintiffs") filed a purported collective action lawsuit against the Company, OSI Restaurant Partners, LLC ("OSI"), and two of its subsidiaries in the U.S. District Court for the District of Nevada (Cardoza, et al. v. Bloomin' Brands, Inc., et al., Case No.: 2:13-cv-01820-JAD-NJK). The complaint alleges violations of the Fair Labor Standards Act by requiring employees to work off the clock, complete on-line training without pay, and attend meetings in the restaurant without pay. The nationwide collective action permitted all hourly employees in all Outback Steakhouse restaurants to join. The suit seeks an unspecified amount in back pay for the employees that joined the lawsuit, an equal amount in liquidated damages, costs, expenses, and attorney's fees. The Nevada Plaintiffs also filed a companion lawsuit in Nevada state court alleging that the Company violated the state break time rules. In November 2015, the Company reached a tentative settlement agreement resolving all claims and the cost of class administration for $3.2 million. The parties submitted the settlement to the Court for approval in February 2016 and received conditional approval on April 11, 2016. The parties are proceeding with the class notice and administration process before seeking final approval from the Court.

In addition, the Company is subject to legal proceedings, claims and liabilities, such as liquor liability, sexual harassment and slip and fall cases, 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

**BLOOMIN' BRANDS, INC.**

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

respect to those actions will not have a material adverse impact on the Company's financial position or results of operations and cash flows.

## 17. Segment Reporting

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

| SEGMENT | CONCEPT | GEOGRAPHIC LOCATION |
|---|---|---|
| U.S. | Outback Steakhouse<br>Carrabba's Italian Grill<br>Bonefish Grill<br>Fleming's Prime Steakhouse & Wine Bar | United States of America, including Puerto Rico |
| International | Outback Steakhouse (1) | Brazil, South Korea, Hong Kong, China |
| | Carrabba's Italian Grill (Abbraccio) | Brazil |

(1) Includes international franchise locations.

Segment accounting policies are the same as those described in Note 2 - *Summary of Significant Accounting Policies* in the Company's Annual Report on Form 10-K for the year ended December 27, 2015. Revenues for all segments include only transactions with customers and include no intersegment revenues. Excluded from net income from operations for U.S. and International are certain legal and corporate costs not directly related to the performance of the segments, interest and other expenses related to the Company's credit agreements and derivative instruments, certain stock-based compensation expenses and certain bonus expenses.

Prior to 2016, certain insurance expenses were not allocated to the Company's concepts as these expenses were reviewed and evaluated on a Company-wide basis and therefore, these costs were excluded from segment restaurant-level operating margin and income from operations. In 2016, the Company's management changed how insurance expenses related to its restaurants are reviewed and now considers those costs when evaluating the operating performance of the Company's concepts. Accordingly, the Company has recast all prior period segment information to reflect this change.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Total revenues | | | | |
| U.S. | $ 958,981 | $ 982,978 | $ 2,002,760 | $ 2,044,992 |
| International | 119,607 | 116,619 | 240,016 | 256,664 |
| Total revenues | $ 1,078,588 | $ 1,099,597 | $ 2,242,776 | $ 2,301,656 |

**BLOOMIN' BRANDS, INC.**

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

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Segment income (loss) from operations | | | | |
| U.S. | $ 89,010 | $ 96,192 | $ 206,849 | $ 224,460 |
| International | (34,573) | 5,727 | (23,224) | 14,606 |
| Total segment income from operations | 54,437 | 101,919 | 183,625 | 239,066 |
| Unallocated corporate operating expense | (41,104) | (39,334) | (83,608) | (78,780) |
| Total income from operations | 13,333 | 62,585 | 100,017 | 160,286 |
| Loss on defeasance, extinguishment and modification of debt | — | (2,638) | (26,580) | (2,638) |
| Other expense, net | (1) | 57 | (20) | (1,090) |
| Interest expense, net | (10,302) | (12,867) | (23,177) | (26,065) |
| Income before provision for income taxes | $ 3,030 | $ 47,137 | $ 50,240 | $ 130,493 |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Depreciation and amortization | | | | |
| U.S. | $ 38,960 | $ 37,670 | $ 77,162 | $ 74,385 |
| International | 6,954 | 6,690 | 13,501 | 13,526 |
| Corporate | 3,090 | 3,015 | 5,992 | 5,950 |
| Total depreciation and amortization | $ 49,004 | $ 47,375 | $ 96,655 | $ 93,861 |

## 18. Subsequent Events

On July 27, 2016, PRP, as borrower, and Wells Fargo Bank, National Association, as lender (the "Lender"), entered into a First Amendment (the "Amendment") to PRP's existing loan agreement dated as of February 11, 2016 to provide for additional borrowings of $69.5 million, increasing the outstanding loan balance as of the date of the Amendment from $189.3 million to $258.8 million. The PRP Mortgage Loan is collateralized by 105 properties owned by PRP.

The PRP Mortgage Loan permits the Company to refinance or sell the Collateral Properties and the Unencumbered Properties, subject to certain terms and conditions, including that specified release proceeds are applied against the outstanding loan balance. If the PRP Mortgage Loan balance exceeds $219.9 million on March 1, 2017 or $160.0 million on September 1, 2017, PRP's rental income is required to be applied against the outstanding loan balance.

The PRP Mortgage Loan repayment schedule, including the Extension, is as follows (dollars in thousands):

| PAYMENT DATE | INITIAL MATURITY | EXTENSION |
|---|---|---|
| February 28, 2017 | $ 38,813 | $ 38,813 |
| August 31, 2017 | 59,943 | 59,943 |
| February 11, 2018 | 160,000 | 50,000 |
| August 31, 2018 | — | 50,000 |
| February 11, 2019 | — | 60,000 |
| | $ 258,756 | $ 258,756 |

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

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

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

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

(v) 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;

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

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

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

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

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

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

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

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

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

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

(xvi) Such other factors as discussed in Part I, Item IA. Risk Factors of our Annual Report on Form 10-K for the year ended December 27, 2015.

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

## Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of June 26, 2016, we owned and operated 1,335 restaurants and franchised 166 restaurants across 48 states, Puerto Rico, Guam and 20 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

The casual dining restaurant industry is a highly competitive and fragmented industry and is sensitive to changes in the economy, trends in lifestyles, seasonality and fluctuating costs. Operating margins for restaurants can vary due to competitive pricing strategies, labor costs and fluctuations in prices of commodities and other necessities to operate a restaurant, such as natural gas or other energy supplies. Restaurant companies tend to be focused on increasing market share, comparable restaurant sales growth and new unit growth. Our industry is characterized by high initial capital investment, coupled with high labor costs. As a result, we focus on driving increased sales at existing restaurants in order to raise margins and profits, because the incremental contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is relatively high. Historically, we have focused on restaurant growth with strong unit level economics.

## Executive Summary

Our financial results for the thirteen weeks ended June 26, 2016 ("second quarter of 2016") include the following:

- A decrease in total revenues of 1.9% to $1.1 billion in the second quarter of 2016, as compared to the second quarter of 2015, was primarily due to: (i) a 2.3% decrease in U.S. comparable restaurant sales, primarily due to a decline in customer traffic, (ii) the effect of foreign currency translation, due to the depreciation of the Brazil Real, and (iii) the closing of 23 restaurants since March 29, 2015. The decrease in restaurant sales was partially offset by the opening of 67 new restaurants not included in our comparable restaurant sales base.

- Income from operations of $13.3 million in the second quarter of 2016, as compared to income from operations of $62.6 million in the second quarter of 2015, decreased primarily due to impairment charges related to the sale of Outback South Korea and lower operating margin at the restaurant-level, partially offset by lower general and administrative expense.

Following is a summary of significant actions we have taken and other factors that impacted our operating results and liquidity to date in 2016:

*Sale of Outback South Korea* - On July 25, 2016, we sold Outback South Korea for $50.0 million, in cash and recognized an impairment charge of $39.6 million during the thirteen and twenty-six weeks ended June 26, 2016. After completion of the sale, our restaurant locations in South Korea are operated as franchises. See Note 2 - *Impairments, Disposals and Exit Costs* of the Notes to Consolidated Financial Statements for further information.

*Sale-leaseback Transactions* - During the twenty-six weeks ended June 26, 2016, we entered into sale-leaseback transactions with third-parties in which we sold 46 restaurant properties at fair market value for gross proceeds of $163.5 million. See Note 6 - *Property, Fixtures and Equipment, Net* of the Notes to Consolidated Financial Statements for further information.

*Dividend and Share Repurchase Programs* - On February 12, 2016, the Board canceled the remaining $30.0 million of authorization under the 2015 Share Repurchase Program and approved a $250.0 million authorization (the "2016 Share Repurchase Program").

On July 26, 2016, the Board canceled the remaining $110.1 million of authorization under the 2016 Share Repurchase Program and approved a new $300.0 million authorization (the "July 2016 Share Repurchase Program"). The July

2016 Share Repurchase Program will expire on January 26, 2018.

*PRP Mortgage Loan* - On February 11, 2016, PRP entered into the PRP Mortgage Loan, pursuant to which PRP borrowed $300.0 million. The proceeds of the PRP Mortgage Loan were used, together with borrowings under our revolving credit facility, to prepay a portion, and fully defease the remainder, of the 2012 CMBS loan. In connection with the defeasance, we recognized a loss of $26.6 million during the first quarter of 2016.

On July 27, 2016, PRP, as borrower, and Wells Fargo Bank, National Association, as Lender, entered into an Amendment to PRP's Original Loan Agreement to provide for additional borrowings of $69.5 million, increasing the outstanding loan balance as of the date of the Amendment from $189.3 million to $258.8 million. See Note 18 - Subsequent Events of the Notes to Consolidated Financial Statements for further information.

*Bonefish Restructuring* - On February 12, 2016, we decided to close 14 Bonefish restaurants. We expect to substantially complete these restaurant closings by the first quarter of 2019. In connection with the Bonefish Restructuring, we recognized pre-tax restaurant and other closing costs of approximately $0.8 million and $4.4 million during the thirteen and twenty-six weeks ended June 26, 2016, respectively. See Note 2 - *Impairments, Disposals and Exit Costs* of the Notes to Consolidated Financial Statements for further information.

**Key Performance Indicators**

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

- *Average restaurant unit volumes*—average sales per restaurant to measure changes in customer traffic, pricing and development of the brand;
- *Comparable restaurant sales*—year-over-year comparison of sales volumes for Company-owned restaurants that are open 18 months or more in order to remove the impact of new restaurant openings in comparing the operations of existing restaurants;
- *System-wide sales*—total restaurant sales volume for all Company-owned and franchise restaurants, regardless of ownership, to interpret the overall health of our brands;
- *Adjusted restaurant-level operating margin, Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share*—non-GAAP financial measures utilized to evaluate our operating performance, and for which definitions, usefulness and reconciliations are described in more detail in the "Non-GAAP Financial Measures" section below; and
- *Customer satisfaction scores*—measurement of our customers' experiences in a variety of key attributes.

## Selected Operating Data

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

| Number of restaurants (at end of the period): | JUNE 26, 2016 | JUNE 28, 2015 |
|---|---|---|
| U.S. | | |
| Outback Steakhouse | | |
| Company-owned | 650 | 649 |
| Franchised | 105 | 105 |
| Total | 755 | 754 |
| Carrabba's Italian Grill | | |
| Company-owned | 244 | 244 |
| Franchised | 3 | 2 |
| Total | 247 | 246 |
| Bonefish Grill | | |
| Company-owned | 204 | 207 |
| Franchised | 6 | 5 |
| Total | 210 | 212 |
| Fleming's Prime Steakhouse & Wine Bar | | |
| Company-owned | 66 | 66 |
| International | | |
| Company-owned | | |
| Outback Steakhouse - Brazil (1) | 78 | 69 |
| Outback Steakhouse - South Korea (2) | 74 | 76 |
| Other | 19 | 12 |
| Franchised | 52 | 57 |
| Total | 223 | 214 |
| System-wide total | 1,501 | 1,492 |

(1) The restaurant counts for Brazil are reported as of May 31, 2016 and 2015, respectively, to correspond with the balance sheet dates of this subsidiary.
(2) Subsequent to June 26, 2016, we entered into an agreement to sell our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

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## Results of Operations

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Revenues | | | | |
| Restaurant sales | 99.4 % | 99.4 % | 99.5 % | 99.4 % |
| Other revenues | 0.6 | 0.6 | 0.5 | 0.6 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Costs and expenses | | | | |
| Cost of sales (1) | 32.3 | 32.7 | 32.4 | 32.6 |
| Labor and other related (1) | 28.8 | 27.5 | 28.3 | 27.3 |
| Other restaurant operating (1) | 23.4 | 23.3 | 22.6 | 22.7 |
| Depreciation and amortization | 4.5 | 4.3 | 4.3 | 4.1 |
| General and administrative | 6.4 | 6.9 | 6.4 | 6.5 |
| Provision for impaired assets and restaurant closings | 3.8 | 0.1 | 2.0 | 0.4 |
| Total costs and expenses | 98.8 | 94.3 | 95.5 | 93.0 |
| Income from operations | 1.2 | 5.7 | 4.5 | 7.0 |
| Loss on defeasance, extinguishment and modification of debt | — | (0.2) | (1.2) | (0.1) |
| Other (expense) income, net | (*) | * | (*) | (*) |
| Interest expense, net | (0.9) | (1.2) | (1.1) | (1.2) |
| Income before provision for income taxes | 0.3 | 4.3 | 2.2 | 5.7 |
| Provision for income taxes | 1.0 | 1.3 | 1.0 | 1.6 |
| Net (loss) income | (0.7) | 3.0 | 1.2 | 4.1 |
| Less: net income attributable to noncontrolling interests | 0.2 | 0.1 | 0.1 | 0.1 |
| Net (loss) income attributable to Bloomin' Brands | (0.9)% | 2.9 % | 1.1 % | 4.0 % |

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

RESTAURANT SALES

Following is a summary of the change in Restaurant sales for the thirteen and twenty-six weeks ended June 26, 2016:

| (dollars in millions) | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| For the period ending June 28, 2015 | $ 1,092.8 | $ 2,287.6 |
| Change from: | | |
| Comparable restaurant sales | (16.7) | (28.2) |
| Effect of foreign currency translation | (14.3) | (50.6) |
| Restaurant closings | (12.5) | (25.2) |
| Divestiture of Roy's | — | (5.7) |
| Restaurant openings | 23.2 | 52.7 |
| For the period ending June 26, 2016 | $ 1,072.5 | $ 2,230.6 |

The decrease in Restaurant sales in the thirteen weeks ended June 26, 2016 was primarily attributable to: (i) lower U.S. comparable restaurant sales, (ii) the effect of foreign currency translation, due to the depreciation of the Brazil Real, and (iii) the closing of 23 restaurants since March 29, 2015. The decrease in restaurant sales was partially offset by the opening of 67 new restaurants not included in our comparable restaurant sales base.

The decrease in Restaurant sales in the twenty-six weeks ended June 26, 2016 was primarily attributable to: (i) the effect of foreign currency translation, due to the depreciation of the Brazil Real, (ii) lower U.S. comparable restaurant sales and (iii) the closing of 46 restaurants since December 28, 2014. The decrease in restaurant sales was partially offset by the opening of 82 new restaurants not included in our comparable restaurant sales base.

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

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Year over year percentage change: | | | | |
| Comparable restaurant sales (stores open 18 months or more) (1): | | | | |
| U.S. | | | | |
| Outback Steakhouse | (2.5)% | 4.0 % | (1.9)% | 4.5 % |
| Carrabba's Italian Grill | (4.8)% | 0.9 % | (3.3)% | 1.4 % |
| Bonefish Grill | 0.9 % | (4.6)% | (1.0)% | (1.7)% |
| Fleming's Prime Steakhouse & Wine Bar | (0.8)% | 3.2 % | 0.3 % | 3.1 % |
| Combined U.S. | (2.3)% | 2.0 % | (1.9)% | 2.9 % |
| International | | | | |
| Outback Steakhouse - Brazil (2) | 3.9 % | 3.4 % | 6.4 % | 4.8 % |
| Outback Steakhouse - South Korea | 10.8 % | (11.8)% | 1.4 % | (7.0)% |
| | | | | |
| Traffic: | | | | |
| U.S. | | | | |
| Outback Steakhouse | (5.9)% | (0.8)% | (4.4)% | (0.1)% |
| Carrabba's Italian Grill | (4.8)% | 1.4 % | (1.6)% | 2.4 % |
| Bonefish Grill | (2.8)% | (7.8)% | (4.0)% | (4.8)% |
| Fleming's Prime Steakhouse & Wine Bar | (3.7)% | 3.1 % | (1.2)% | 1.9 % |
| Combined U.S. | (5.2)% | (1.1)% | (3.7)% | (0.2)% |
| International | | | | |
| Outback Steakhouse - Brazil | (1.5)% | (0.7)% | (0.4)% | 0.3 % |
| Outback Steakhouse - South Korea | 20.7 % | (12.6)% | 6.8 % | (8.3)% |
| | | | | |
| Average check per person increases (decreases) (3): | | | | |
| U.S. | | | | |
| Outback Steakhouse | 3.4 % | 4.8 % | 2.5 % | 4.6 % |
| Carrabba's Italian Grill | — % | (0.5)% | (1.7)% | (1.0)% |
| Bonefish Grill | 3.7 % | 3.2 % | 3.0 % | 3.1 % |
| Fleming's Prime Steakhouse & Wine Bar | 2.9 % | 0.1 % | 1.5 % | 1.2 % |
| Combined U.S. | 2.9 % | 3.1 % | 1.8 % | 3.1 % |
| International | | | | |
| Outback Steakhouse - Brazil | 6.3 % | 4.5 % | 6.7 % | 4.6 % |
| Outback Steakhouse - South Korea | (9.9)% | 0.8 % | (5.4)% | 1.3 % |

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

(2) Includes the trading day impact from calendar period reporting of (0.9%) and (0.4%) for the thirteen weeks ended June 26, 2016 and June 28, 2015, respectively and 0.1% and (0.1%) for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively.

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

For the thirteen and twenty-six weeks ended June 26, 2016, combined U.S. comparable restaurant sales decreased due to decreases in traffic, partially offset by increases in pricing and product mix.

For the thirteen and twenty-six weeks ended June 26, 2016, comparable restaurant sales for Brazil increased primarily due to increases in pricing, partially offset by decreases in product mix and customer traffic.

Comparable restaurant sales for South Korea increased for the thirteen and twenty-six weeks ended June 26, 2016 due to increases in traffic, partially offset by decreases from pricing and product mix.

*Average Restaurant Unit Volumes and Operating Weeks*

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Average restaurant unit volumes (weekly): | | | | |
| U.S. | | | | |
| Outback Steakhouse | $ 65,158 | $ 66,794 | $ 67,978 | $ 69,218 |
| Carrabba's Italian Grill | $ 55,396 | $ 58,462 | $ 58,267 | $ 60,684 |
| Bonefish Grill | $ 60,136 | $ 59,389 | $ 61,462 | $ 62,034 |
| Fleming's Prime Steakhouse & Wine Bar | $ 80,432 | $ 81,015 | $ 85,171 | $ 84,940 |
| International | | | | |
| Outback Steakhouse - Brazil (1) | $ 68,534 | $ 80,312 | $ 68,289 | $ 88,789 |
| Outback Steakhouse - South Korea (2) | $ 38,500 | $ 36,961 | $ 41,000 | $ 43,454 |
| Operating weeks: | | | | |
| U.S. | | | | |
| Outback Steakhouse | 8,440 | 8,437 | 16,884 | 16,870 |
| Carrabba's Italian Grill | 3,172 | 3,172 | 6,344 | 6,334 |
| Bonefish Grill | 2,653 | 2,668 | 5,362 | 5,305 |
| Fleming's Prime Steakhouse & Wine Bar | 858 | 858 | 1,716 | 1,716 |
| International | | | | |
| Outback Steakhouse - Brazil | 1,008 | 869 | 1,984 | 1,692 |
| Outback Steakhouse - South Korea | 953 | 981 | 1,920 | 1,988 |

(1) Translated at an average exchange rate of 3.59 and 3.08 for the thirteen weeks ended June 26, 2016 and June 28, 2015, respectively, and 3.77 and 2.87 for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively.

(2) Translated at an average exchange rate of 1,164.12 and 1,095.41 for the thirteen weeks ended June 26, 2016 and June 28, 2015, respectively, and 1,184.00 and 1,097.61 for the twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively.

## COSTS AND EXPENSES

*Cost of sales*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Cost of sales | $ 346.8 | $ 357.5 | | $ 722.1 | $ 744.9 | |
| % of Restaurant sales | 32.3% | 32.7% | (0.4)% | 32.4% | 32.6% | (0.2)% |

Cost of sales, consisting of food and beverage costs, decreased as a percentage of Restaurant sales in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.9% from the impact of certain cost savings initiatives and (ii) 0.6% from menu price increases. These decreases were partially offset by increases as a percentage of Restaurant sales primarily attributable to: (i) 0.7% from product mix, (ii) 0.4% from higher commodity costs and (iii) 0.2% from the timing of our managing partner conference.

Cost of sales decreased as a percentage of Restaurant sales in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.6% from menu price increases and (ii) 0.6% from the impact of certain cost savings initiatives. These decreases were partially offset by increases as a percentage of Restaurant sales primarily due to: (i) 0.6% from product mix and (ii) 0.4% from higher commodity costs.

*Labor and other related expenses*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **Change** | **JUNE 26, 2016** | **JUNE 28, 2015** | **Change** |
| Labor and other related | $ 309.2 | $ 301.0 | | $ 632.0 | $ 625.0 | |
| % of Restaurant sales | 28.8% | 27.5% | 1.3% | 28.3% | 27.3% | 1.0% |

Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to managing partners, costs related to deferred compensation plans and other restaurant-level incentive compensation expenses. Labor and other related expenses increased as a percentage of Restaurant sales in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015. The increase as a percentage of Restaurant sales was primarily due to: (i) 1.2% from higher kitchen and service labor costs due to higher wage rates and investments in our service model and (ii) 0.3% due to the favorable resolution of a payroll tax audit contingency in the thirteen weeks ended June 28, 2015. These increases were offset by decreases as a percentage of Restaurant sales primarily due to 0.2% from the impact of certain cost savings initiatives.

Labor and other related expenses increased as a percentage of Restaurant sales in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015. The increase as a percentage of Restaurant sales was primarily due to 1.1% from higher kitchen and service labor costs due to higher wage rates and investments in our service model, partially offset by a decrease of 0.2% from the impact of certain cost savings initiatives.

*Other restaurant operating expenses*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| **(dollars in millions)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **Change** | **JUNE 26, 2016** | **JUNE 28, 2015** | **Change** |
| Other restaurant operating | $ 250.4 | $ 254.3 | | $ 504.0 | $ 518.3 | |
| % of Restaurant sales | 23.4% | 23.3% | 0.1% | 22.6% | 22.7% | (0.1)% |

Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. The increase as a percentage of Restaurant sales in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015, was primarily due to: (i) 0.5% from an increase in operating expenses due to inflation and (ii) 0.3% from higher rent expense due to the sale-leaseback of certain Outback Steakhouse properties. The increases were partially offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.4% from a decrease in marketing and (ii) 0.3% from the impact of certain cost savings initiatives.

Other restaurant operating expenses decreased as a percentage of Restaurant sales in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015. The decrease as a percentage of Restaurant sales was primarily due to 0.3% from the impact of certain cost savings initiatives. The decrease was partially offset by an increase as a percentage of Restaurant sales primarily due to 0.3% from an increase in operating expenses due to inflation.

*Depreciation and amortization*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Depreciation and amortization | $ 49.0 | $ 47.4 | | $ 96.7 | $ 93.9 | |
| % of Total revenues | 4.5% | 4.3% | 0.2% | 4.3% | 4.1% | 0.2% |

Depreciation and amortization expense as a percentage of Total revenues increased in the thirteen and twenty-six weeks ended June 26, 2016 as compared to the thirteen and twenty-six weeks ended June 28, 2015. The increase as a percentage of Total revenues was primarily due to additional depreciation expense related to the opening of new restaurants and the remodel of existing restaurants, partially offset by lower depreciation for assets impaired in connection with the Bonefish Restructuring.

*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:

| | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 26, 2016 |
| For the period ended June 28, 2015 | $ 76.0 | $ 149.2 |
| Change from: | | |
| Conference expense (1) | (4.1) | — |
| Life insurance and deferred compensation (2) | (3.3) | (4.7) |
| Foreign currency exchange (3) | (1.7) | (4.1) |
| Legal and professional fees | (1.1) | (3.1) |
| Employee stock-based compensation | 1.3 | 2.1 |
| Severance | 1.1 | 1.3 |
| Incentive compensation | 0.7 | 1.3 |
| Other | (0.3) | 1.6 |
| For the period ended June 26, 2016 | $ 68.6 | $ 143.6 |

(1) Conference expense was lower due to the timing of our annual managing partner conference.
(2) Life insurance and deferred compensation decreased primarily due to the acquisition of a managing partner's interests in certain Outback Steakhouse restaurants
(3) Foreign exchange primarily includes the depreciation of the Brazil Real.

*Provision for impaired assets and restaurant closings*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Provision for impaired assets and restaurant closings | $ 41.3 | $ 0.9 | $ 40.4 | $ 44.4 | $ 10.0 | $ 34.4 |

*Sale of Outback South Korea* - On July 7, 2016, we entered into an agreement to sell Outback South Korea. In connection with the decision to sell Outback South Korea, we recognized an impairment charge of $39.6 million during the thirteen and twenty-six weeks ended June 26, 2016.

*Restructuring and Restaurant Closure Initiatives* - On February 12, 2016, we decided to close 14 Bonefish restaurants.

In connection with the Bonefish Restructuring, we recognized pre-tax restaurant and other closing costs of approximately $0.8 million and $4.4 million during the thirteen and twenty-six weeks ended June 26, 2016, respectively.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| ***Property, fixtures and equipment impairments*** | | | | |
| Domestic Restaurant Closure Initiative | $ 0.1 | $ — | $ 0.1 | $ — |
| ***Facility closure and other expenses*** | | | | |
| Bonefish Restructuring | 0.8 | — | 4.4 | — |
| International Restaurant Closure Initiative | 0.3 | (0.3) | (0.1) | 6.1 |
| Domestic Restaurant Closure Initiative | — | — | — | 1.3 |

We currently expect to incur additional charges of $2.0 million to $4.0 million for the Bonefish Restructuring over the next five years, including costs associated with lease obligations and other closure related obligations.

*Other Disposals* - In connection with the decision to sell our corporate airplanes, we recognized pre-tax asset impairment charges of $0.7 million during the thirteen and twenty-six weeks ended June 28, 2015.

The remaining restaurant impairment and closing charges resulted from: (i) the carrying value of a restaurant's assets exceeding its estimated fair market value, primarily due to locations identified for relocation and closure and (ii) lease liabilities.

See Note 2 - *Impairments, Disposals and Exit Costs* of the Notes to Consolidated Financial Statements for further information.

*Income from operations*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Income from operations | $ 13.3 | $ 62.6 | $ (49.3) | $ 100.0 | $ 160.3 | $ (60.3) |
| % of Total revenues | 1.2% | 5.7% | (4.5)% | 4.5% | 7.0% | (2.5)% |

The decrease in income from operations generated in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015 was primarily due to impairment charges related to the sale of Outback South Korea and a decrease in operating margin at the restaurant-level, partially offset by lower general and administrative expense.

The decrease in income from operations generated in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 was primarily due to impairment charges related to the sale of Outback South Korea, a decrease in operating margin at the restaurant-level and higher restaurant closing costs from the Bonefish Restructuring.

**BLOOMIN' BRANDS, INC.**

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

*Loss on defeasance, extinguishment and modification of debt*

In connection with the defeasance of our 2012 CMBS loan, we recognized a loss on defeasance, extinguishment and modification of debt of $26.6 million for the twenty-six weeks ended June 26, 2016. See Note 9 - *Long-term Debt, Net* of the Notes to Consolidated Financial Statements for further information.

*Interest expense, net*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Interest expense, net | $ 10.3 | $ 12.9 | $ (2.6) | $ 23.2 | $ 26.1 | $ (2.9) |

The decrease in interest expense, net in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015 was primarily due to lower interest expense related to the refinancing of the 2012 CMBS loan in February 2016, partially offset by additional interest expense related to our interest rate swaps and Term Loan A-1.

The decrease in interest expense, net in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 was primarily due to lower interest expense related to the refinancing of the 2012 CMBS loan in February 2016, partially offset by additional interest expense related to our interest rate swaps and from additional draws on our revolving credit facility.

*Provision for income taxes*

| | THIRTEEN WEEKS ENDED | | | TWENTY-SIX WEEKS ENDED | | |
|---|---|---|---|---|---|---|
| | JUNE 26, 2016 | JUNE 28, 2015 | Change | JUNE 26, 2016 | JUNE 28, 2015 | Change |
| Effective income tax rate | 366.2% | 29.9% | 336.3% | 44.6% | 27.1% | 17.5% |

The net increase in the effective income tax rate for the thirteen and twenty-six weeks ended June 26, 2016 was primarily due to impairment and additional tax liabilities, including incremental taxes on earnings that were previously considered permanently reinvested, related to the sale of Outback South Korea.

## SEGMENT PERFORMANCE

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

| SEGMENT | CONCEPT | GEOGRAPHIC LOCATION |
|---|---|---|
| U.S. | Outback Steakhouse<br>Carrabba's Italian Grill<br>Bonefish Grill<br>Fleming's Prime Steakhouse & Wine Bar | United States of America, including Puerto Rico |
| International | Outback Steakhouse (1)<br>Carrabba's Italian Grill (Abbraccio) | Brazil, South Korea, Hong Kong, China<br>Brazil |

(1) Includes international franchise locations.

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

Prior to 2016, certain insurance expenses were not allocated to our concepts as these expenses were reviewed and evaluated on a Company-wide basis and therefore, these costs were excluded from segment restaurant-level operating margin and income from operations. In 2016, management changed how insurance expenses related to our restaurants are reviewed and now considers those costs when evaluating the operating performance of our concepts. Accordingly, we have recast all prior period segment information to reflect this change.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Segment income (loss) from operations | | | | |
| U.S. | $ 89,010 | $ 96,192 | $ 206,849 | $ 224,460 |
| International | (34,573) | 5,727 | (23,224) | 14,606 |
| Total segment income from operations | 54,437 | 101,919 | 183,625 | 239,066 |
| Unallocated corporate operating expense | (41,104) | (39,334) | (83,608) | (78,780) |
| Total income from operations | 13,333 | 62,585 | 100,017 | 160,286 |
| Loss on defeasance, extinguishment and modification of debt | — | (2,638) | (26,580) | (2,638) |
| Other expense, net | (1) | 57 | (20) | (1,090) |
| Interest expense, net | (10,302) | (12,867) | (23,177) | (26,065) |
| Income before provision for income taxes | $ 3,030 | $ 47,137 | $ 50,240 | $ 130,493 |

## U.S. Segment

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Revenues | | | | |
| Restaurant sales | $ 953,992 | $ 977,260 | $ 1,992,741 | $ 2,033,364 |
| Other revenues | 4,989 | 5,718 | 10,019 | 11,628 |
| Total revenues | $ 958,981 | $ 982,978 | $ 2,002,760 | $ 2,044,992 |
| Restaurant-level operating margin | 15.5% | 15.9% | 16.5% | 17.0% |
| Income from operations | 89,010 | 96,192 | $ 206,849 | $ 224,460 |
| Operating income margin | 9.3% | 9.8% | 10.3% | 11.0% |

*Restaurant sales*

Following is a summary of the change in U.S. segment Restaurant sales for the thirteen and twenty-six weeks ended June 26, 2016:

| (dollars in millions) | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| For the period ending June 28, 2015 | $ 977.3 | $ 2,033.4 |
| Change from: | | |
| Comparable restaurant sales | (21.9) | (36.8) |
| Restaurant closings | (7.0) | (12.4) |
| Divestiture of Roy's | — | (5.7) |
| Restaurant openings | 5.6 | 14.3 |
| For the period ending June 26, 2016 | $ 954.0 | $ 1,992.8 |

The decrease in U.S. Restaurant sales in the thirteen weeks ended June 26, 2016 was primarily attributable to: (i) a decrease in comparable restaurant sales and (ii) the closing of 13 restaurants since March 29, 2015. The decrease in U.S. Restaurant sales was partially offset by the opening of 25 new restaurants not included in our comparable restaurant sales base.

The decrease in U.S. Restaurant sales in the twenty-six weeks ended June 26, 2016 was primarily attributable to: (i) lower comparable restaurant sales, (ii) the closing of 16 restaurants since December 28, 2014 and (iii) the sale of 20 Roy's restaurants in January 2015. The decrease in U.S. Restaurant sales was partially offset by the opening of 32 new restaurants not included in our comparable restaurant sales base.

*Restaurant-level operating margin*

The decrease in U.S. restaurant-level operating margin in the thirteen and twenty-six weeks ended June 26, 2016 as compared to the thirteen and twenty-six weeks ended June 28, 2015, was primarily due to: (i) higher kitchen and labor costs, (ii) product mix and (iii) higher rent expense due to the sale-leaseback of certain Outback Steakhouse properties. The decrease was partially offset by the impact of certain cost savings initiatives and menu price increases.

*Income from operations*

The decrease in U.S. income from operations generated in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015 was primarily due to a decrease in operating margin at the restaurant-level, partially offset by lower General and administrative expense. General and administrative expense for the U.S. segment decreased primarily from lower deferred compensation expense due to the acquisition of a managing partner's interests in certain Outback Steakhouse restaurants.

The decrease in U.S. income from operations generated in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 was primarily due to lower restaurant-level operating income and higher restaurant closing costs from the Bonefish Restructuring, partially offset by lower General and administrative expense. General and administrative expense for the U.S. segment decreased primarily from lower deferred compensation expense due to the acquisition of a managing partner's interests in certain Outback Steakhouse restaurants.

## International Segment

| (dollars in thousands) | THIRTEEN WEEKS ENDED JUNE 26, 2016 | THIRTEEN WEEKS ENDED JUNE 28, 2015 | TWENTY-SIX WEEKS ENDED JUNE 26, 2016 | TWENTY-SIX WEEKS ENDED JUNE 28, 2015 |
|---|---|---|---|---|
| Revenues | | | | |
| Restaurant sales | $ 118,527 | $ 115,499 | $ 237,830 | $ 254,205 |
| Other revenues | 1,080 | 1,120 | 2,186 | 2,459 |
| Total revenues | $ 119,607 | $ 116,619 | $ 240,016 | $ 256,664 |
| Restaurant-level operating margin | 16.2 % | 16.8% | 17.8 % | 19.5% |
| (Loss) income from operations | $ (34,573) | $ 5,727 | $ (23,224) | $ 14,606 |
| Operating (loss) income margin | (28.9)% | 4.9% | (9.7)% | 5.7% |

*Restaurant sales*

Following is a summary of the change in International segment Restaurant sales for the thirteen and twenty-six weeks ended June 26, 2016:

| (dollars in millions) | THIRTEEN WEEKS ENDED | TWENTY-SIX WEEKS ENDED |
|---|---|---|
| For the period ending June 28, 2015 | $ 115.5 | $ 254.2 |
| Change from: | | |
| Restaurant openings | 17.6 | 38.4 |
| Comparable restaurant sales | 5.2 | 8.6 |
| Effect of foreign currency translation | (14.3) | (50.6) |
| Restaurant closings | (5.5) | (12.8) |
| For the period ending June 26, 2016 | $ 118.5 | $ 237.8 |

The increase in Restaurant sales in the thirteen weeks ended June 26, 2016 was primarily attributable to: (i) the opening of 42 new restaurants not included in our comparable restaurant sales base and (ii) an increase in comparable restaurant sales in South Korea and Brazil. The increase in restaurant sales was partially offset by: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar and (ii) the closing of 10 restaurants since March 29, 2015.

The decrease in Restaurant sales in the twenty-six weeks ended June 26, 2016 was primarily attributable to: (i) the effect of foreign currency translation of the Brazil Real relative to the U.S. dollar and (ii) the closing of 30 restaurants since December 28, 2014. The decrease in restaurant sales was partially offset by: (i) the opening of 50 new restaurants not included in our comparable restaurant sales base and (ii) an increase in comparable restaurant sales in Brazil.

*Restaurant-level operating margin*

The decrease in International restaurant-level operating margin in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015 was primarily due to: (i) higher commodity and labor inflation, (ii) product mix and (iii) higher operating expenses due to inflation. The decrease was partially offset by: (i) lower advertising expense, (ii) the impact of certain cost saving initiatives and (iii) menu price increases.

The decrease in International restaurant-level operating margin in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 was primarily due to: (i) higher commodity and labor inflation, (ii) product mix and (iii) higher operating expenses due to inflation. The decrease was partially offset by: (i) menu price increases and (ii) the impact of certain cost savings initiatives.

*(Loss) income from operations*

The decrease in International income from operations in the thirteen weeks ended June 26, 2016 as compared to the thirteen weeks ended June 28, 2015 was primarily due to: (i) impairment charges related to the sale of Outback South Korea and (ii) lower restaurant-level operating margin, partially offset by lower general and administrative expense.

The decrease in International income from operations in the twenty-six weeks ended June 26, 2016 as compared to the twenty-six weeks ended June 28, 2015 was primarily due to: (i) impairment charges related to the sale of Outback South Korea and (ii) lower restaurant-level operating margin, partially offset by the lapping of costs related to the International Restaurant Closure Initiative in 2015.

**Non-GAAP Financial Measures**

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

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

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

*System-Wide Sales*

System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. Management uses this information to make decisions about future plans for the development of additional restaurants and new concepts, as well as evaluation of current operations. System-wide sales comprise sales of Company-owned and franchised restaurants. Following is a summary of sales of Company-owned restaurants:

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| COMPANY-OWNED RESTAURANT SALES (dollars in millions) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| U.S. | | | | |
| Outback Steakhouse | $ 550 | $ 563 | $ 1,148 | $ 1,167 |
| Carrabba's Italian Grill | 176 | 185 | 370 | 384 |
| Bonefish Grill | 159 | 158 | 329 | 329 |
| Fleming's Prime Steakhouse & Wine Bar | 69 | 70 | 146 | 146 |
| Other | — | 1 | — | 7 |
| Total | $ 954 | $ 977 | $ 1,993 | $ 2,033 |
| International | | | | |
| Outback Steakhouse-Brazil | $ 69 | $ 70 | $ 135 | $ 151 |
| Outback Steakhouse-South Korea | 37 | 36 | 79 | 86 |
| Other | 13 | 10 | 24 | 18 |
| Total | $ 119 | $ 116 | $ 238 | $ 255 |
| Total Company-owned restaurant sales | $ 1,073 | $ 1,093 | $ 2,231 | $ 2,288 |

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| FRANCHISE SALES (dollars in millions) (1) | JUNE 26, 2016 | JUNE 28, 2015 | JUNE 26, 2016 | JUNE 28, 2015 |
| Outback Steakhouse | | | | |
| U.S. | $ 83 | $ 86 | $ 175 | $ 174 |
| International | 28 | 29 | 56 | 58 |
| Total | 111 | 115 | 231 | 232 |
| Carrabba's Italian Grill | 3 | 2 | 6 | 3 |
| Bonefish Grill | 4 | 3 | 7 | 6 |
| Total franchise sales (1) | $ 118 | $ 120 | $ 244 | $ 241 |
| Income from franchise sales (2) | $ 4 | $ 4 | $ 9 | $ 9 |

(1) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive Income.
(2) Represents the franchise royalty and the portion of total income related to restaurant operations included in the Consolidated Statements of Operations and Comprehensive Income in Other revenues.

*Adjusted restaurant-level operating margin*

Restaurant-level operating margin is calculated as Restaurant sales after deduction of the main restaurant-level operating costs, which includes Cost of sales, Labor and other related and Other restaurant operating. The following table shows the percentages of certain operating cost financial statement line items in relation to Restaurant sales:

| | THIRTEEN WEEKS ENDED | | | |
|---|---|---|---|---|
| | JUNE 26, 2016 | | JUNE 28, 2015 | |
| | U.S. GAAP | ADJUSTED (1) | U.S. GAAP | ADJUSTED (3) |
| Restaurant sales | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| Cost of sales | 32.3% | 32.3% | 32.7% | 32.7% |
| Labor and other related | 28.8% | 28.8% | 27.5% | 27.8% |
| Other restaurant operating | 23.4% | 23.3% | 23.3% | 23.3% |
| | | | | |
| Restaurant-level operating margin | 15.5% | 15.5% | 16.5% | 16.2% |

| | TWENTY-SIX WEEKS ENDED | | | |
|---|---|---|---|---|
| | JUNE 26, 2016 | | JUNE 28, 2015 | |
| | U.S. GAAP | ADJUSTED (2) | U.S. GAAP | ADJUSTED (3) |
| Restaurant sales | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| Cost of sales | 32.4% | 32.4% | 32.6% | 32.6% |
| Labor and other related | 28.3% | 28.3% | 27.3% | 27.4% |
| Other restaurant operating | 22.6% | 22.7% | 22.7% | 22.7% |
| | | | | |
| Restaurant-level operating margin | 16.7% | 16.6% | 17.5% | 17.3% |

(1) Includes adjustments, primarily for a loss of $0.3 million on the sale of certain properties related to our sale lease-back initiative, recorded in Other restaurant operating for the thirteen and twenty-six weeks ended June 26, 2016.

(2) Includes adjustments, primarily for the write-off of $1.9 million of deferred rent liabilities associated with the Bonefish Restructuring recorded in Other restaurant operating for the twenty-six weeks ended June 26, 2016.

(3) Includes a $2.7 million adjustment for payroll tax audit contingencies, which was recorded in Labor and other related for the thirteen and twenty-six weeks ended June 28, 2015.

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

| | THIRTEEN WEEKS ENDED | | TWENTY-SIX WEEKS ENDED | |
|---|---|---|---|---|
| **(in thousands, except per share data)** | **JUNE 26, 2016** | **JUNE 28, 2015** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Income from operations | $ 13,333 | $ 62,585 | $ 100,017 | $ 160,286 |
| *Operating income margin* | 1.2% | 5.7% | 4.5% | 7.0% |
| Adjustments: | | | | |
| Asset impairments and related costs (1) | 39,677 | 746 | 40,023 | 746 |
| Restaurant relocations, remodels and related costs (2) | 1,124 | 122 | 1,764 | 1,291 |
| Purchased intangibles amortization (3) | 949 | 1,123 | 1,809 | 2,406 |
| Severance (4) | 737 | — | 1,872 | — |
| Restaurant impairments and closing costs (5) | 335 | (63) | 2,120 | 8,807 |
| Transaction-related expenses (6) | 242 | 40 | 814 | 315 |
| Payroll tax audit contingency (7) | — | (2,671) | — | (2,671) |
| Amortization of deferred gains from sale-leaseback transactions (8) | (348) | — | (348) | — |
| Total income from operations adjustments | 42,716 | (703) | 48,054 | 10,894 |
| Adjusted income from operations | $ 56,049 | $ 61,882 | $ 148,071 | $ 171,180 |
| *Adjusted operating income margin* | 5.2% | 5.6% | 6.6% | 7.4% |
| | | | | |
| Net (loss) income attributable to Bloomin’ Brands | $ (9,177) | $ 32,226 | $ 25,298 | $ 92,814 |
| Adjustments: | | | | |
| Income from operations adjustments | 42,716 | (703) | 48,054 | 10,894 |
| Loss on defeasance, extinguishment and modification of debt (9) | — | 2,638 | 26,580 | 2,638 |
| Loss on disposal of business and disposal of assets (10) | — | (121) | — | 1,030 |
| Total adjustments, before income taxes | 42,716 | 1,814 | 74,634 | 14,562 |
| Adjustment to provision for income taxes (11) | 1,525 | 1,047 | (8,177) | (2,580) |
| Net adjustments | 44,241 | 2,861 | 66,457 | 11,982 |
| Adjusted net income | $ 35,064 | $ 35,087 | $ 91,755 | $ 104,796 |
| | | | | |
| Diluted (loss) earnings per share | $ (0.08) | $ 0.26 | $ 0.21 | $ 0.73 |
| Adjusted diluted earnings per share | $ 0.30 | $ 0.28 | $ 0.77 | $ 0.82 |
| | | | | |
| Basic weighted average common shares outstanding | 113,330 | 123,046 | 115,630 | 124,174 |
| Diluted weighted average common shares outstanding (12) | 116,343 | 126,242 | 118,560 | 127,501 |

(1) Represents asset impairment charges and related costs associated with the decision to sell our Outback South Korea subsidiary in 2016 and our corporate aircraft in 2015.
(2) Represents asset impairment charges and accelerated depreciation incurred in connection with our relocation and remodel programs.
(3) Represents intangible amortization recorded as a result of the acquisition of our Brazil operations.
(4) Relates to severance expense incurred primarily as a result of the relocation of our Fleming’s operations center to the corporate home office.
(5) Represents expenses incurred for the Bonefish Restructuring and the International and Domestic Restaurant Closure Initiatives.
(6) Relates primarily to the following: (i) costs incurred with our sale-leaseback initiative in 2016 and (ii) costs incurred with the secondary offering of our common stock in March 2015.
(7) Relates to a payroll tax audit contingency adjustment for the employer’s share of FICA taxes related to cash tips allegedly received and unreported by our employees during calendar year 2011, which is recorded in Labor and other related expenses. In addition, a deferred income tax adjustment has been recorded for the allowable income tax credits for the employer’s share of FICA taxes expected to be paid, which is included in Provision for income taxes and offsets the adjustment to Labor and other related expenses. As a result, there is no impact to Net income from this adjustment.
(8) Represents amortization of deferred gains related to our sale-leaseback initiative.
(9) Relates to the defeasance of the 2012 CMBS loan in 2016 and the refinancing of our Senior Secured Credit Facility in 2015.

(10) Primarily represents loss on the sale of our Roy's business in 2015.

(11) Represents income tax effect of the adjustments, on a jursidiction basis, for the thirteen and twenty-six weeks ended June 26, 2016 and June 28, 2015, respectively. Included in the adjustments for the thirteen weeks and twenty-six weeks ended June 26, 2016 is $3.5 million related to deferred tax liabilities for the Outback South Korea sale.

(12) Due to the GAAP net loss, the effect of dilutive securities was excluded from the calculation of GAAP diluted (loss) earnings per share for the thirteen weeks ended June 26, 2016. For adjusted diluted earnings per share, the calculation includes dilutive shares of 3,013 for the thirteen weeks ended June 26, 2016.

## Liquidity and Capital Resources

LIQUIDITY

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

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

*Cash and Cash Equivalents* - As of June 26, 2016, we had $102.1 million in cash and cash equivalents, of which $37.7 million was held by foreign affiliates, primarily in Brazil, a portion of which would be subject to additional taxes if repatriated to the United States. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit the repatriation of cash and cash equivalents.

In connection with the sale of Outback South Korea, we no longer assert that the earnings of our South Korean subsidiary will be permanently reinvested and have, therefore, recognized deferred tax liabilities of $3.5 million during the thirteen and twenty-six weeks ended June 26, 2016. As of June 26, 2016, we had aggregate undistributed earnings for other foreign subsidiaries of $58.0 million, which we consider to be permanently reinvested and are expected to continue to be permanently reinvested. It is not practical to determine the amount of unrecognized deferred income tax liabilities on the undistributed earnings we consider to be permanently reinvested.

*Sale of Outback South Korea* - On July 7, 2016, we entered into an agreement to sell Outback South Korea for a purchase price of $50.0 million. See Note 2 - *Impairments, Disposals and Exit Costs* of the Notes to Consolidated Financial Statements for further information.

*Sale-Leaseback Transactions* - During the twenty-six weeks ended June 26, 2016, we entered into sale-leaseback transactions with third-parties in which we sold 46 restaurant properties at fair market value for gross proceeds of $163.5 million.

*Bonefish Restructuring* - On February 12, 2016, we decided to close 14 Bonefish restaurants. We expect to substantially complete these restaurant closings through the first quarter of 2019. Total future cash expenditures of $11.1 million to $13.3 million, primarily related to lease liabilities, are expected to occur through October 2024.

*Capital Expenditures* - We estimate that our capital expenditures will total between $235.0 million and $255.0 million in 2016. 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. We expect to continue to review the level of expected capital expenditures throughout 2016.

*Credit Facilities* - Our credit facilities consist of the Senior Secured Credit Facility and the PRP Mortgage Loan. See Note 9 - *Long-term Debt, Net* of the Notes to Consolidated Financial Statements for further information. Following is a summary of principal payments and debt issuance from December 27, 2015 to June 26, 2016:

| | SENIOR SECURED CREDIT FACILITY | | | 2012 CMBS LOAN | | | | |
|---|---|---|---|---|---|---|---|---|
| | TERM LOANS | | | FIRST MORTGAGE LOAN | MEZZANINE LOANS | | PRP MORTGAGE LOAN | TOTAL CREDIT FACILITIES |
| (dollars in thousands) | A | A-1 | REVOLVING FACILITY | | FIRST | SECOND | | |
| Balance as of December 27, 2015 | $ 277,500 | $ 150,000 | $ 432,000 | $ 289,588 | $ 84,028 | $ 85,353 | $ — | $ 1,318,469 |
| 2016 new debt | — | — | 414,000 | — | — | — | 300,000 | 714,000 |
| 2016 payments | (7,500) | (3,750) | (233,000) | (289,588) | (84,028) | (85,353) | (87,847) | (791,066) |
| Balance as of June 26, 2016 | $ 270,000 | $ 146,250 | $ 613,000 | $ — | $ — | $ — | $ 212,153 | $ 1,241,403 |

We continue to evaluate whether we will make further payments of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding credit facilities as of June 26, 2016:

| | | | | OUTSTANDING | |
|---|---|---|---|---|---|
| (dollars in thousands) | INTEREST RATE JUNE 26, 2016 | ORIGINAL FACILITY | PRINCIPAL MATURITY DATE | JUNE 26, 2016 | DECEMBER 27, 2015 |
| Term loan A, net of discount of $2.9 million (1) | 2.44% | $ 300,000 | May 2019 | $ 270,000 | $ 277,500 |
| Term loan A-1 | 2.41% | 150,000 | May 2019 | 146,250 | 150,000 |
| Revolving credit facility (1) | 2.43% | 825,000 | May 2019 | 613,000 | 432,000 |
| Total Senior Secured Credit Facility | | $ 1,275,000 | | $ 1,029,250 | $ 859,500 |
| PRP Mortgage Loan (2) | 2.91% | $ 300,000 | February 2018 | $ 212,153 | $ — |
| First mortgage loan | —% | $ 324,800 | | $ — | $ 289,588 |
| First mezzanine loan | —% | 87,600 | | — | 84,028 |
| Second mezzanine loan | —% | 87,600 | | — | 85,353 |
| Total 2012 CMBS loan | | $ 500,000 | | $ — | $ 458,969 |
| Total credit facilities | | $ 2,075,000 | | $ 1,241,403 | $ 1,318,469 |

(1) Represents the weighted-average interest rate.
(2) Subsequent to June 26, 2016, PRP entered into an amendment to its existing PRP Mortgage Loan. See Note 18 - *Subsequent Events* for further discussion.

*Credit Agreement* - As of June 26, 2016, we had $182.7 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of $29.3 million.

The Credit Agreement contains mandatory prepayment requirements for Term loan A and Term loan A-1. We are required to prepay outstanding amounts under Term loan A and Term loan A-1 with 50% of our annual excess cash flow, as defined in the Credit Agreement. The amount of outstanding Term loan A and Term loan A-1 required to be prepaid may vary based on our leverage ratio and year end results. Other than the required minimum amortization premiums of $25.3 million, we do not anticipate any other payments will be required through June 25, 2017.

*PRP Mortgage Loan* - On February 11, 2016, PRP, as borrower, and Wells Fargo Bank, National Association, as Lender, entered into the PRP Mortgage Loan, pursuant to which PRP borrowed $300.0 million. The PRP Mortgage Loan has an Initial Maturity date of February 11, 2018 with an option to extend the Initial Maturity for one twelve-month Extension provided that certain conditions are satisfied. The PRP Mortgage Loan is collateralized by certain properties owned by PRP. PRP has also made negative pledges with respect to certain unencumbered properties.

**BLOOMIN' BRANDS, INC.**

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

The proceeds of the PRP Mortgage Loan were used, together with borrowings under our revolving credit facility, to prepay a portion, and fully defease the remainder, of the 2012 CMBS loan. In connection with the defeasance, we recognized a loss of $26.6 million during the twenty-six weeks ended June 26, 2016. Following the defeasance of the 2012 CMBS loan, $19.3 million of restricted cash was released.

On July 27, 2016, PRP, as borrower, and Wells Fargo Bank, National Association, as lender (the "Lender"), entered into a First Amendment (the "Amendment") to PRP's existing loan agreement dated as of February 11, 2016 (the "Original Loan Agreement") to provide for additional borrowings of $69.5 million, increasing the outstanding loan balance as of the date of the Amendment from $189.3 million to $258.8 million.

The PRP Mortgage Loan permits us to refinance or sell the Collateral Properties and the Unencumbered Properties, subject to certain terms and conditions, including that specified release proceeds are applied against the outstanding loan balance. If the PRP Mortgage Loan balance exceeds $219.9 million on March 1, 2017 or $160.0 million on September 1, 2017, PRP's rental income will be required to be applied against the outstanding loan balance.

The PRP Mortgage Loan repayment schedule, including the Extension, is as follows (dollars in thousands):

| PAYMENT DATE | INITIAL MATURITY | EXTENSION |
|---|---|---|
| February 28, 2017 | $ 38,813 | $ 38,813 |
| August 31, 2017 | 59,943 | 59,943 |
| February 11, 2018 | 160,000 | 50,000 |
| August 31, 2018 | — | 50,000 |
| February 11, 2019 | — | 60,000 |
| | $ 258,756 | $ 258,756 |

We intend to fund payment of the PRP Mortgage Loan with proceeds from sale-leaseback transactions of our real estate portfolio.

*Debt Covenants* - Our Credit Agreement and PRP Mortgage Loan contain 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 12 - *Long-term Debt, Net* in our Annual Report on Form 10-K for the year ended December 27, 2015 for further information.

As of June 26, 2016 and December 27, 2015, we were in compliance with our debt covenants. We believe that we will remain in compliance with our debt covenants during the next 12 months.

*Cash Flow Hedges of Interest Rate Risk* - On September 9, 2014, we entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt. The swap agreements have an aggregate notional amount of $400.0 million, a start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, we pay a weighted-average fixed rate of 2.02% on the $400.0 million notional amount and receive payments from the counterparty based on the 30-day LIBOR rate. We estimate $6.1 million will be reclassified to interest expense over the next twelve months. See Note 13 - *Derivative Instruments and Hedging Activities* of the Notes to Consolidated Financial Statements for further information.

**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:

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Net cash provided by operating activities | $ 205,416 | $ 197,427 |
| Net cash provided by (used in) investing activities | 70,134 | (89,321) |
| Net cash used in financing activities | (284,471) | (139,118) |
| Effect of exchange rate changes on cash and cash equivalents | 853 | (1,960) |
| Transfers of cash and cash equivalents to assets held for sale | (22,195) | — |
| Net decrease in cash and cash equivalents | $ (30,263) | $ (32,972) |

*Operating activities* - Net cash provided by operating activities increased during the twenty-six weeks ended June 26, 2016, as compared to the twenty-six weeks ended June 28, 2015 primarily due to: (i) the timing of collections of gift card receivables, (ii) the timing of accounts payable payments and (iii) utilization of inventory on hand. These increases were partially offset by: (i) the timing of rent payments and (ii) higher income tax payments.

*Investing activities*

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Proceeds from sale-leaseback transactions, net | $ 160,597 | $ — |
| Net change in restricted cash | 22,239 | 2,478 |
| Proceeds from disposal of property, fixtures and equipment | 527 | 3,104 |
| Proceeds from sale of a business | — | 7,798 |
| Capital expenditures | (109,319) | (114,251) |
| Other investments, net | (3,910) | 11,550 |
| Net cash provided by (used in) investing activities | $ 70,134 | $ (89,321) |

Net cash provided by investing activities for the twenty-six weeks ended June 26, 2016 consisted primarily of proceeds from sale-leaseback transactions and a reduction in restricted cash related to the defeasance of the 2012 CMBS loan, partially offset by capital expenditures. Net cash used in investing activities for the twenty-six weeks ended June 28, 2015 consisted primarily of capital expenditures, partially offset by the following: (i) net proceeds from life insurance policies, (ii) proceeds from the sale of Roy's and (iii) proceeds from the disposal of property, fixtures and equipment.

*Financing activities*

| | TWENTY-SIX WEEKS ENDED | |
|---|---|---|
| **(dollars in thousands)** | **JUNE 26, 2016** | **JUNE 28, 2015** |
| Repayments of debt | $ (815,634) | $ (396,719) |
| Repurchase of common stock | (140,221) | (100,525) |
| Cash dividends paid on common stock | (16,216) | (14,814) |
| Repayments of partner deposits and accrued partner obligations | (10,018) | (27,231) |
| Purchase of limited partnership and noncontrolling interests | (8,983) | (652) |
| Distributions to noncontrolling interests | (3,652) | (2,729) |
| Proceeds from borrowings, net | 708,699 | 396,101 |
| Proceeds from the exercise of share-based compensation | 637 | 6,012 |
| Contributions from noncontrolling interests | 539 | 167 |
| Excess tax benefit from stock-based compensation | 378 | 1,272 |
| Net cash used in financing activities | $ (284,471) | $ (139,118) |

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

Net cash used in financing activities for the twenty-six weeks ended June 28, 2015 was primarily attributable to the following: (i) repayments of the Term loan B due to the Senior Secured Credit Facility refinancing in March 2015 and voluntary prepayments, (ii) the repurchase of common stock, (iii) repayments of partner deposits and accrued partner obligations and (iv) payment of cash dividends on our common stock. Net cash used in financing activities was partially offset by the following: (i) proceeds from the refinancing of the Senior Secured Credit Facility and revolving credit facilities and (ii) proceeds from the exercise of stock options.

FINANCIAL CONDITION

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

| **(dollars in thousands)** | **JUNE 26, 2016** | **DECEMBER 27, 2015** |
|---|---|---|
| Current assets | $ 296,148 | $ 418,644 |
| Current liabilities | 724,845 | 814,166 |
| Working capital (deficit) | $ (428,697) | $ (395,522) |

Working capital (deficit) totaled ($428.7) million and ($395.5) million as of June 26, 2016 and December 27, 2015, respectively, and included Unearned revenue from unredeemed gift cards of $264.9 million and $382.6 million as of June 26, 2016 and December 27, 2015, respectively. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities, and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and to make capital expenditures.

*Deferred Compensation Programs* - The deferred compensation obligation due to managing and chef partners was $123.3 million and $133.2 million as of June 26, 2016 and December 27, 2015, 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 $63.6 million as of June 26, 2016.

We use capital to fund the deferred compensation plans and currently expect annual cash funding of $18.0 million to $22.0 million. Actual funding of the deferred compensation obligations and future funding requirements may vary significantly depending on the actual performance compared to targets, timing of deferred payments of partner contracts, forfeiture rates, number of partner participants, growth of partner investments and our funding strategy.

DIVIDENDS AND SHARE REPURCHASES

In August 2015, our Board approved the 2015 Share Repurchase Program under which we were authorized to repurchase up to $100.0 million of our outstanding common stock. Our Board canceled the remaining $30.0 million of authorization under the 2015 Share Repurchase Program and approved a new $250.0 million authorization on February 12, 2016.

On July 26, 2016, the Board canceled the remaining $110.1 million of authorization under the 2016 Share Repurchase Program and approved a new $300.0 million authorization (the "July 2016 Share Repurchase Program"). The July 2016 Share Repurchase Program will expire on January 26, 2018. Under the July 2016 Share Repurchase Program, shares may be repurchased in open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act, or privately negotiated transactions, including accelerated repurchase arrangements.

The following table presents our dividends and share repurchases from December 27, 2014 through June 26, 2016:

| (dollars in thousands) | DIVIDENDS PAID | OPEN MARKET SHARE REPURCHASES | TAXES RELATED TO SETTLEMENT OF EQUITY AWARDS | TOTAL |
|---|---|---|---|---|
| Thirteen weeks ended June 26, 2016 | $ 7,978 | $ 64,892 | $ 153 | $ 73,023 |
| Thirteen weeks ended March 27, 2016 | 8,238 | 75,000 | 176 | 83,414 |
| Fiscal year 2015 | 29,332 | 169,999 | 770 | 200,101 |
| Total | $ 45,548 | $ 309,891 | $ 1,099 | $ 356,538 |

**Recently Issued Financial Accounting Standards**

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

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

We are exposed to market risk from changes in interest rates, changes in foreign currency exchange rates and changes in commodity prices. We believe that there have been no material changes in our market risk since December 27, 2015. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended December 27, 2015 for further information regarding market risk.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Administrative Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial and Administrative Officer concluded that our disclosure controls and procedures were effective as of June 26, 2016.

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the thirteen weeks ended June 26, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## 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 2015 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 2015 Form 10-K, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

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

There were no sales of equity securities during the second quarter of 2016 that were not registered under the Securities Act of 1933.

The following table provides information regarding our purchases of common stock during the thirteen weeks ended June 26, 2016:

| REPORTING PERIOD | TOTAL NUMBER OF SHARES PURCHASED | AVERAGE PRICE PAID PER SHARE | TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS | APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (1) |
|---|---|---|---|---|
| March 28, 2016 through April 24, 2016 | 8,454 | $ 18.02 | — | $ 175,000,004 |
| April 25, 2016 through May 22, 2016 | 3,375,809 | $ 19.22 | 3,375,809 | $ 110,108,046 |
| May 23, 2016 through June 26, 2016 | — | $ — | — | $ 110,108,046 |
| Total | 3,384,263 | | 3,375,809 | |

(1) On February 12, 2016, our Board approved a $250.0 million authorization as announced publicly in our press release issued on February 17, 2016 (the "2016 Share Repurchase Program"). The 2016 Share Repurchase Program will expire on August 12, 2017. Common shares repurchased during the thirteen weeks ended June 26, 2016 represented shares repurchased under the 2016 Share Repurchase Program and 8,454 shares withheld for tax payments due upon vesting of employee restricted stock awards. On July 26, 2016, the Board approved a new $300.0 million authorization as announced publicly in our press release issued on July 29, 2016 (the "July 2016 Share Repurchase Program") and canceled the remaining $110.1 million of authorization under the 2016 Share Repurchase Program. The July 2016 Share Repurchase Program will expire on January 26, 2018.

## Item 6. Exhibits

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBITS | FILINGS REFERENCED FOR INCORPORATION BY REFERENCE |
|---|---|---|
| 10.1* | Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan | March 11, 2016 Definitive Proxy Statement |
| 10.2* | Form of Nonqualified Stock Option Award Agreement for options granted to executive management under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan | Filed herewith |
| 10.3* | Form of Restricted Stock Unit Award Agreement for restricted stock granted to directors under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan | Filed herewith |
| 10.4* | Form of Restricted Stock Unit Award Agreement for restricted stock granted to executive management under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan | Filed herewith |
| 10.5* | Form of Performance Award Agreement for performance units granted under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan | Filed herewith |
| 10.6* | Employment Offer Letter Agreement, dated as of April 15, 2016, between Bloomin' Brands, Inc. and Christopher Brandt | Filed herewith |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification of Chief Financial and Administrative Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1] | Filed herewith |
| 32.2 | Certification of Chief Financial and Administrative Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1] | Filed herewith |
| 101.INS | XBRL Instance Document | Filed herewith |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Filed herewith |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Filed herewith |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Filed herewith |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | Filed herewith |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | Filed herewith |

* 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: August 3, 2016 | BLOOMIN' BRANDS, INC.<br>(Registrant) |
| | By: /s/ David J. Deno |
| | David J. Deno<br>Executive Vice President and Chief Financial and Administrative Officer<br>(Principal Financial and Accounting Officer) |

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**EXHIBIT 10.2**

**Nonqualified Stock Option Award Agreement**
**Under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan**

Bloomin' Brands, Inc. (the "Company") hereby issues to the Participant an award (the "Award") of Nonqualified Stock Options (the "Options"). Each Option represents the right to purchase one Share at the Option Price, subject to the restrictions and other terms and conditions set forth in the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan (the "Plan") and those set forth in this Agreement, including the Terms and Conditions of Nonqualified Stock Option Award attached hereto as Exhibit A (collectively, the "Agreement"). Any capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed to such terms in the Plan.

**Award of Options:**

| | |
|---|---|
| Name/Participant: | <name > |
| Type of Grant: | Nonqualified Stock Options |
| Date of Grant: | <date> |
| Total Options Granted: | <options > |
| Option Price: | <FMV> |

The Participant, by accepting this award online on www.netbenefits.com, acknowledges and agrees that the Options are granted under and governed by the terms, and subject to the conditions, of this Agreement, including the Terms and Conditions of Nonqualified Stock Option Award attached hereto as Exhibit A, and the Plan.

**Exhibit A**

**Terms and Conditions of Nonqualified Stock Option Award**

1. Condition to the Participant's Rights Under this Agreement. This Agreement shall not become effective, and the Participant shall have no rights with respect to the Award or the Options, unless and until the Participant has fully executed this Agreement by accepting the Award online as described above. Notwithstanding the foregoing, if the Participant does not otherwise reject this Award in a writing to the Compensation department within 90 days of the Date of Grant or such other manner as the Company may specify from time to time in its sole discretion, the Participant shall be deemed to have accepted the Award, and the terms and conditions hereof, as of the Date of Grant.

2. Vesting. Subject in each case to the Participant's Continuous Service Status on each applicable vesting date, the Options awarded under this Agreement shall vest and become exercisable in accordance with the schedule set forth below unless, prior to any vesting date set forth, the Options are forfeited or have become subject to accelerated vesting under the terms and conditions of this Agreement and the Plan.

| **Vesting Date** | **Vesting Percentage** |
|---|---|
| First Anniversary of Date of Grant | 25% |
| Second Anniversary of Date of Grant | 25% |
| Third Anniversary of Date of Grant | 25% |
| Fourth Anniversary of Date of Grant | 25% |

3. Exercisability. The Options are not exercisable until they vest as provided herein. The Participant must exercise the Options prior to the earlier of (a) ten (10) years after the Date of Grant and (b) in the event of a termination of the Participant's Continuous Service Status for any reason, such earlier date as provided in Section 5 below (the earlier of such dates, the "Expiration Date"). No Shares will be issued pursuant to the exercise of any Options unless and until all legal requirements applicable to such issuance have been complied with to the satisfaction of the Committee.

4. Method of Exercise. The Participant must follow the procedures for exercising Options that are established by the Company from time to time. As a condition of any exercise of the Option, the Company may require the Participant to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters reasonably requested by the Company. At the time of exercise, the Participant must pay the Option Price, as provided by the Plan or otherwise established by the Committee, for all of the Options being exercised and any taxes that are required to be withheld by the Company or any of its Affiliates in connection with the exercise.

5. Termination of Continuous Service. Subject to the limitations set forth in Section 3:

(a) If the Participant's Continuous Service is terminated by the Company for Cause (as defined below), then all Options, whether vested or unvested, shall be automatically and immediately forfeited for no consideration and cease to be exercisable.

(b) If the Participant's Continuous Service terminates for any reason other than for Cause, then all Options that are not vested at the time such termination shall be automatically and immediately forfeited for no consideration and cease to be exercisable and any Options that are then vested shall be exercisable as follows:

(i) If termination of the Participant's Continuous Service is as a result of the Participant's Disability, the Participant may exercise the Option at any time within twelve (12) months following the date of termination (but in no event later than ten (10) years after the Date of Grant), but only to the extent the Option was vested and exercisable as of the date of termination of Continuous Service, after which time the Option shall terminate.

(ii) If the Participant dies (A) during the term of the Option and while in Continuous Service, (B) within twelve (12) months after termination of Continuous Service as a result of the Participant's Disability, or (C) within three (3) months after termination of Continuous Service for a reason other than the Participant's Disability, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than ten (10) years after the Date of Grant) by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Option was vested and exercisable as of the termination of Continuous Service Status, after which time the Option shall terminate.

(iii) If the Participant retires on or after age sixty (60) with five (5) years of service with the Company or an Affiliate of the Company ("Retirement"), the Participant may exercise the Option at any time within twelve (12) months following the date of Retirement (but in no event later than ten (10) years after the Date of Grant), but only to the extent the Option was vested and exercisable as of the date of termination of Continuous Service, after which time the Option shall terminate.

(iv) If the Participant's Continuous Service terminates for any other reason, the Participant may exercise his or her Option at any time within three months after such termination (but in no event later than ten (10) years after the Date of Grant), but only to the extent that the Option was vested and exercisable at the date of such termination, after which time the Option shall terminate.

(c) For purposes of this Section 5, "Cause" shall have the same meaning ascribed to such term in any employment agreement or arrangement between the Company (or any Affiliate) and the Participant. If no such agreement or arrangement applies to the Participant or if any such agreement or arrangement that applies to the Participant does not define Cause, then "Cause shall mean:

(i) failure of the Participant to perform the duties required of the Participant pursuant to his or her employment agreement or otherwise applicable to the

Participant in connection with his or her employment in a manner satisfactory to the Company, in its sole discretion; provided, however, for purposes of this subparagraph (i), Cause will not exist unless the Company first gives the Participant written notice ("Notice of Deficiency"). The Notice of Deficiency shall specify the deficiencies in the Participant's performance of his or her duties. The Participant shall have a period of thirty (30) days, commencing on receipt of the Notice of Deficiency, in which to cure the deficiencies contained in the Notice of Deficiency. In the event the Participant does not cure the deficiencies to the satisfaction of the Company, in its sole discretion, within such thirty (30) day period (or if during such thirty (30) day period the Company determines that the Participant is not making reasonable, good faith efforts to cure the deficiencies to the satisfaction of the Company), then a termination by the Company as a result of such deficiencies will be for Cause;

(ii) any dishonesty by the Participant in the Participant's dealings with the Company, the commission of fraud by the Participant, negligence in the performance of the duties of the Participant, insubordination, willful misconduct, or the conviction (or plea of guilty or nolo contendere) of the Participant of, or indictment or charge with respect to, any felony, or any other crime involving dishonesty or moral turpitude;

(iii) any violation of any non-competition, non-solicitation, non-disclosure or confidentiality covenant or similar restriction applicable to the Participant; or

(iv) any violation of any current or future material published policy of the Company or its Affiliates (material published policies include, but are not limited to, the Company's discrimination and harassment policy, management dating policy, responsible alcohol policy, insider trading policy and security policy).

6. Change in Control. In the event of a Change in Control, the vesting of the Options may be accelerated pursuant to the Company's Executive Change in Control Plan or pursuant to Section 12 of the Plan. In any such event, the treatment of the Options shall be governed by the applicable provisions of the Executive Change in Control Plan and Section 12 of the Plan.

7. Options Non-Transferable. The Participant shall not directly or indirectly sell, transfer, pledge, assign or otherwise encumber the Options or any interest in them or any Shares underlying the Options prior to exercise thereof, or make any commitment or agreement to do any of the foregoing, except to the extent permitted by Section 11.3 of the Plan.

8. Data Privacy.

(a) The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Company and its Affiliates may hold certain personal information about the Participant, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere and that the recipients' country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Shares acquired upon exercise of this Option. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of a refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's human resources representative.

9. Electronic Delivery and Acceptance. The Company may in its sole discretion, decide to deliver any documents related to this Option granted under the Plan, and participation in the Plan or future Awards that may be granted under the Plan, by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and; if requested, to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or another third party designated by the Company. If required by local law, the Participant may be required to print out, sign and return to the Company the electronic document and/or this Agreement indicating his or her consent to participate in the Plan.

10. Government and Other Regulations.

(a) This Option is subject to all laws, regulations and orders of any governmental authority which may be applicable thereto and, notwithstanding any of the provisions hereof, the Participant agrees not to exercise this Option granted hereby nor will the Company be obligated to issue any Shares hereunder if the grant, vesting or exercise thereof or the issuance of such Shares, as the case may be, would constitute a violation by the Participant or the Company of any such law, regulation or order or any provision thereof. The Company shall not be obligated to take any affirmative action in order to cause the exercise of this Option or the issuance of Shares pursuant hereto to comply with any such law, regulation, order or provision.

(b) As a condition of the grant of this Option, the Participant agrees to take any and all actions as may be required to comply with the Participant's personal obligations under local laws, rules and regulations in the Participant's country of residence, including without limitation, the obligation to repatriate all payments attributable to the Shares and/or cash acquired under the Plan (including, but not limited to, dividends) in accordance with local foreign exchange rules and regulations in the Participant's country of residence. In addition, the Participant also agrees to take any and all actions, and consent to any and all actions taken by the Company and its affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and regulations in the Participant's country of residence.

11. Miscellaneous Provisions.

(a) The Options are granted under and subject to the terms and conditions of the Plan, which is incorporated herein and made part hereof by this reference. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern and all decisions under and interpretations of the Plan or this Agreement by the Committee or the Board shall be final, binding and conclusive upon the Participant and his heirs and legal representatives. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

(b) This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement and the Plan supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(c) If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(d) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(e) This Agreement may be executed or deemed executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this grant of Options to be executed, as of the Date of Grant.

BLOOMIN' BRANDS, INC.

By:_____ELECTRONIC SIGNATURE
Elizabeth Smith, Chief Executive Officer
(or Kelly Lefferts, Group Vice President, Legal)

**EXHIBIT 10.3**

**Restricted Stock Unit Award Agreement**
**Under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan**

Bloomin' Brands, Inc. (the "Company") hereby issues to the Participant an award (the "Award") of Restricted Stock Units (the "RSUs"). Each RSU represents an unfunded, unsecured promise of the Company to deliver to the Participant one Share, subject to the vesting and other restrictions, terms and conditions set forth in the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan (the "Plan") and those set forth in this Agreement, including the Terms and Conditions of RSU Award attached hereto as Exhibit A (collectively, the "Agreement"). Any capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed to such terms in the Plan.

**Award of RSUs:**

| | |
|---|---|
| Director Name/Participant: | <name > |
| Type of Grant: | Restricted Stock Unit |
| Date of Grant: | <date> |
| Total Shares Granted: | <shares > |

The Participant, by accepting this award online on www.netbenefits.com, acknowledges and agrees that the RSUs are granted under and governed by the terms, and subject to the conditions, of this Agreement, including the Terms and Conditions of RSU Award attached hereto as Exhibit A, and the Plan.

---

## Exhibit A

### Terms and Conditions of RSU Award

1. Condition to the Participant's Rights Under this Agreement. This Agreement shall not become effective, and the Participant shall have no rights with respect to the Award or the RSUs, unless and until the Participant has fully executed this Agreement by accepting the Award online as described above. Notwithstanding the foregoing, if the Participant does not otherwise reject this Award in a writing to the Compensation department within 90 days of the Date of Grant or such other manner as the Company may specify from time to time in its sole discretion, the Participant shall be deemed to have accepted the Award, and the terms and conditions hereof, as of the Date of Grant.

2. Vesting. Subject in each case to the Participant's Continuous Service on each applicable vesting date, the RSUs awarded under this Agreement shall vest in accordance with the schedule set forth below unless, prior to any vesting date set forth, the applicable RSUs are forfeited or have become subject to accelerated vesting under the terms and conditions of the Plan:

| Vesting Date | Vesting Percentage |
|---|---|
| **First Anniversary of Date of Grant** | **33%** |
| **Second Anniversary of Date of Grant** | **33%** |
| **Third Anniversary of Date of Grant** | **33%** |

Prior to actual settlement of any RSU that has vested, the RSU will represent an unfunded, unsecured obligation of the Company in accordance with Section 17.13 of the Plan.

3. Termination of Continuous Service. If the Participant's Continuous Service terminates due to death or Disability, then all RSUs that are not vested shall become immediately vested in full upon such termination. If the Participant's Continuous Service terminates for any other reason, then all RSUs that are not vested at the time such termination shall be automatically and immediately forfeited for no consideration.

4. Change in Control. If a Change in Control occurs, then all RSUs that remain unvested and have not been previously forfeited shall become immediately vested in full upon such Change in Control.

5. RSUs Non-Transferable. The Participant shall not directly or indirectly sell, transfer, pledge, assign or otherwise encumber RSUs or any interest in them, or make any commitment or agreement to do any of the foregoing, except to the extent permitted by Section 11.3 of the Plan.

6. Settlement. The Company shall, as soon as practicable upon the vesting of any RSUs (but in no event later than two and a half (2 ½) months following the end of the year in which vesting occurs), effect delivery of Shares to fully settle such vested RSUs to the

Participant (or, in the event of the Participant's death, to the Beneficiary). No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to such issuance have been complied with to the satisfaction of the Committee.

7. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

8. Electronic Delivery and Acceptance. The Company may in its sole discretion, decide to deliver any documents related to the RSUs granted under the Plan and participation in the Plan, or future RSUs that may be granted under the Plan, by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or a third party designated by the Company**.**

9. Data Privacy.

(a) The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Company and its Affiliates may hold certain personal information about the Participant, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere and that the recipients' country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Shares acquired upon settlement of these RSUs. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of a refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's human resources representative.

10. Government and Other Regulations; Governing Law. The grant of RSUs is subject to all laws, regulations and orders of any governmental authority which may be applicable thereto and, notwithstanding any of the provisions hereof, the Participant acknowledges that the Company will not be obligated to issue any Shares hereunder if the grant or vesting thereof or the issuance of such Shares, as the case may be, would constitute a violation by the Participant or the Company of any such law, regulation or order or any provision thereof. The Company shall not be obligated to take any affirmative action in order to cause the vesting of the RSUs or the issuance of Shares pursuant hereto to comply with any such law, regulation, order or provision.

11. Miscellaneous Provisions.

(a) The RSUs are granted under and subject to the terms and conditions of the Plan, which is incorporated herein and made part hereof by this reference. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern and all decisions under and interpretations of the Plan or this Agreement by the Committee or the Board shall be final, binding and conclusive upon the Participant and his heirs and legal representatives. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

(b) This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement and the Plan supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(c) If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(d) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(e) This Agreement may be executed or deemed executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the Company has caused this grant of RSUs to be executed, as of the Date of Grant.

BLOOMIN' BRANDS, INC.

By: ELECTRONIC SIGNATURE

Elizabeth Smith, Chief Executive Officer

(or Kelly Lefferts, Group Vice President, Legal)

# Restricted Stock Unit Award Agreement
# Under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan

Bloomin' Brands, Inc. (the "Company") hereby issues to the Participant an award (the "Award") of Restricted Stock Units (the "RSUs"). Each RSU represents an unfunded, unsecured promise of the Company to deliver to the Participant one Share, subject to the vesting and other restrictions, terms and conditions set forth in the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan (the "Plan") and those set forth in this Agreement, including the Terms and Conditions of RSU Award attached hereto as Exhibit A (collectively, the "Agreement"). Any capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed to such terms in the Plan.

**Award of RSUs:**

| | |
|---|---|
| Name/Participant: | <name > |
| Type of Grant: | Restricted Stock Unit |
| Date of Grant: | <date> |
| Total Shares Granted: | <shares > |

The Participant, by accepting this award online on www.netbenefits.com, acknowledges and agrees that the RSUs are granted under and governed by the terms, and subject to the conditions, of this Agreement, including the Terms and Conditions of RSU Award attached hereto as Exhibit A, and the Plan.

## Exhibit A

### Terms and Conditions of RSU Award

1. Condition to the Participant's Rights Under this Agreement. This Agreement shall not become effective, and the Participant shall have no rights with respect to the Award or the RSUs, unless and until the Participant has fully executed this Agreement by accepting the Award online as described above. Notwithstanding the foregoing, if the Participant does not otherwise reject this Award in a writing to the Compensation department within 90 days of the Date of Grant or such other manner as the Company may specify from time to time in its sole discretion, the Participant shall be deemed to have accepted the Award, and the terms and conditions hereof, as of the Date of Grant.

2. Vesting. Subject in each case to the Participant's Continuous Service on each applicable vesting date, the RSUs awarded under this Agreement shall vest in accordance with the schedule set forth below unless, prior to any vesting date set forth, the applicable RSUs are forfeited or have become subject to accelerated vesting under the terms and conditions of the Plan:

| Vesting Date | Vesting Percentage |
| --- | --- |
| First Anniversary of Date of Grant | 25% |
| Second Anniversary of Date of Grant | 25% |
| Third Anniversary of Date of Grant | 25% |
| Fourth Anniversary of Date of Grant | 25% |

Prior to actual settlement of any RSU that has vested, the RSU will represent an unfunded, unsecured obligation of the Company in accordance with Section 17.13 of the Plan.

3. Termination of Continuous Service

(a) If the Participant's Continuous Service terminates due to death or Disability, then all RSUs that are not vested shall become immediately vested in full upon such termination. If the Participant's Continuous Service terminates for any other reason other than Retirement (as defined below), then all RSUs that are not vested at the time such termination shall be automatically and immediately forfeited for no consideration.

(b) Except as otherwise provided in Section 3(a) and Section 4, if you retire on or after age sixty (60) with five (5) years of service with the Company or an Affiliate ("Retirement") prior to the vesting or forfeiture of the RSUs pursuant to Section 2 hereof, then the number of RSUs that vest shall be determined as of the date of your Retirement on a pro rata basis, determined based on the number of full months of employment completed from the Date of Grant to the date of your Retirement divided by the number of full months of the original vesting period.

4. Change in Control.

(a) If a Change in Control occurs, and the RSUs remain outstanding following such Change in Control or are exchanged or converted into securities or other similar rights of any surviving, acquiring or successor entity in accordance with Section 12.1(ii) of the Plan or otherwise, then the vesting and transfer restrictions and other terms and conditions hereof shall continue to apply to the RSUs or any securities or other similar rights issued to the Participant upon exchange or conversion of the RSUs, as applicable.

(b) If a Change in Control occurs, pursuant to which the RSUs will be cancelled in exchange for cash consideration to Participant in accordance with Section 12.1(i) of the Plan, then:

(i) with respect to a Participant who is an Employee at the level of Vice President or above at the time of such Change in Control, all RSUs that remain unvested and have not been previously forfeited shall be converted upon such Change in Control into an award representing the right to receive such cash consideration, provided, however, that such award will be subject to the vesting and transfer restrictions and other terms and conditions hereof and will be payable to the Participant only to the extent it has vested; and

(ii) with respect to any other Participant, then all RSUs that remain unvested and have not been previously forfeited shall become immediately vested in full effective immediately prior to such Change in Control.

5. RSUs Non-Transferable. The Participant shall not directly or indirectly sell, transfer, pledge, assign or otherwise encumber RSUs or any interest in them, or make any commitment or agreement to do any of the foregoing, except to the extent permitted by Section 11.3 of the Plan.

6. Settlement. The Company shall, as soon as practicable upon the vesting of any RSUs (but in no event later than two and a half (2 ½) months following the end of the year in which vesting occurs), effect delivery of Shares to fully settle such vested RSUs to the Participant (or, in the event of the Participant's death, to the Beneficiary). No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to such issuance have been complied with to the satisfaction of the Committee.

7. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

8. Electronic Delivery and Acceptance. The Company may in its sole discretion, decide to deliver any documents related to the RSUs granted under the Plan and participation in the Plan, or future RSUs that may be granted under the Plan, by electronic means or to request

the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or a third party designated by the Company**.**

9. Data Privacy.

(a) The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Company and its Affiliates may hold certain personal information about the Participant, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere and that the recipients' country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Shares acquired upon settlement of these RSUs. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of a refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's human resources representative.

10. Government and Other Regulations. The grant of RSUs is subject to all laws, regulations and orders of any governmental authority which may be applicable thereto and, notwithstanding any of the provisions hereof, the Participant acknowledges that the Company will not be obligated to issue any Shares hereunder if the grant or vesting thereof or the issuance of such Shares, as the case may be, would constitute a violation by the Participant or the Company of any such law, regulation or order or any provision thereof. The Company shall not be obligated to take any affirmative action in order to cause the vesting of the RSUs or the issuance of Shares pursuant hereto to comply with any such law, regulation, order or provision.

11. Miscellaneous Provisions.

(a) The RSUs are granted under and subject to the terms and conditions of the Plan, which is incorporated herein and made part hereof by this reference. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern and all decisions under and interpretations of the Plan or this Agreement by the Committee or the Board shall be final, binding and conclusive upon the Participant and his heirs and legal representatives. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

(b) This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement and the Plan supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(c) If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(d) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(e) This Agreement may be executed or deemed executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the Company has caused this grant of RSUs to be executed, as of the Date of Grant.

BLOOMIN' BRANDS, INC.

By: ELECTRONIC SIGNATURE

Elizabeth Smith, Chief Executive Officer

(or Kelly Lefferts, Group Vice President, Legal)

EXHIBIT 10.5

**Performance Award Agreement**
**Under the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan**

Bloomin' Brands, Inc. (the "Company") hereby issues to the Participant an award (the "Award") of performance-based Share units ("Performance Awards"). Each Performance Award represents an unfunded, unsecured promise of the Company to deliver to the Participant one Share, subject to the vesting and other restrictions, terms and conditions set forth in the Bloomin' Brands, Inc. 2016 Omnibus Incentive Compensation Plan (the "Plan") and those set forth in this Agreement, including the Terms and Conditions of Performance Award attached hereto as Exhibit A and the Performance-Based Vesting Terms and Conditions contained in Exhibit B (collectively, the "Agreement"). Any capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed to such terms in the Plan.

**Performance Awards:**

| | |
|---|---|
| Name/Participant: | <name > |
| Type of Grant: | Performance Awards |
| Date of Grant: | <date> |
| Total Shares Granted: | <shares > |

The Participant, by accepting this award online on www.netbenefits.com, acknowledges and agrees that the Performance Awards are granted under and governed by the terms, and subject to the conditions, of this Agreement, including the Terms and Conditions of Performance Award attached hereto as Exhibit A and Exhibit B, and the Plan.

## Exhibit A

### Terms and Conditions of Performance Award

1. Condition to the Participant's Rights Under this Agreement. This Agreement shall not become effective, and the Participant shall have no rights with respect to the Award or the Performance Awards, unless and until the Participant has fully executed this Agreement by accepting the Award online as described above. Notwithstanding the foregoing, if the Participant does not otherwise reject this Award in a writing to the Compensation department within 90 days of the Date of Grant or such other manner as the Company may specify from time to time in its sole discretion, the Participant shall be deemed to have accepted the Award, and the terms and conditions hereof, as of the Date of Grant.

2. Vesting.

(a) Subject to the provisions of this Agreement, the Performance Awards awarded under this Agreement shall vest, subject to the Participant's Continuous Service on the vesting date set forth in Exhibit B hereto (the "Vesting Date"), when the Committee certifies (A) the extent to which the Company's performance results have satisfied the performance criteria ("Performance Goals") over the period beginning on [First day of Fiscal Year, Year 1] and ending on [Last day of Fiscal Year, Year 3] (the "Performance Period") and (B) the corresponding number of Performance Awards that have been earned and vested as a result of the achievement of such Performance Goals during such Performance Period (which number may range from zero percent to **200%** percent of the Target Number of Performance Awards eligible for vesting based on performance during such Performance Period), all as set forth in Exhibit B hereto. Any Performance Awards that are eligible to be earned based on performance during the Performance Period, but do not so vest, shall be forfeited.

(b) Prior to actual payment of any of the Performance Awards that are earned and vested, the Performance Awards will represent unfunded, unsecured obligations of the Company in accordance with Section 17.13 of the Plan.

(c) The Committee certification described in paragraph (a) of this Section 2 shall occur as soon as practicable after the end of the Performance Period. The Committee may make adjustments to Performance Goals as described in Section 9 of the Plan as the Committee deems appropriate and equitable in a manner consistent with the requirements of Section 162(m) of the Code (for Awards intended to comply with the Performance-based Exception) and otherwise subject to Section 9 of the Plan.

3. Termination of Continuous Service. Except to the extent provided otherwise in Section 4 hereof or unless the Committee determines otherwise:

(a) If Participant's Continuous Service terminates other than due to death or Disability, all Performance Awards that are unvested at the time of such termination will be forfeited.

(b) If Participant's Continuous Service terminates due to death or Disability, then a pro rata portion (based on the portion of the Performance Period that passed prior to termination of Participant's Continuous Service) of the Target Number of Performance Awards will immediately vest and become payable in Shares upon such termination.

4. Change in Control. In the event of a Change in Control, the vesting of the Performance Awards may be accelerated pursuant to the Company's Executive Change in Control Plan or pursuant to Section 12 of the Plan. In any such event, the treatment of the Performance Awards shall be governed by the applicable provisions of the Executive Change in Control Plan and Section 12 of the Plan.

5. Settlement. The Company shall, as soon as practicable upon the satisfaction of the vesting conditions of the Performance Awards set forth in Section 2 of this Agreement, effect delivery of the Shares with respect to such vested Performance Awards to the Participant (or, in the event of the Participant's death, to the Beneficiary). No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to such issuance have been complied with to the satisfaction of the Committee.

6. Performance Awards Non-Transferable. The Participant shall not directly or indirectly sell, transfer, pledge, assign or otherwise encumber Performance Awards or any interest in them, or make any commitment or agreement to do any of the foregoing, except to the extent permitted by Section 11.3 of the Plan.

7. Section 162(m) Compensation. Performance Awards made to Participants subject to Section 162(m) of the Code are intended to qualify for the Performance-based Exception and the Committee will interpret the terms of such Performance Awards in a manner consistent with that intent to the extent appropriate.

8. Section 409A. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

9. Electronic Delivery and Acceptance. The Company may in its sole discretion, decide to deliver any documents related to the Performance Awards granted under the Plan and participation in the Plan, or future Performance Awards that may be granted under the Plan, by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or a third party designated by the Company.

10. Data Privacy.

(a) The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Company and its Affiliates may hold certain personal information about the Participant, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere and that the recipients' country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Shares acquired upon settlement of these Performance Awards. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Company's human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of a refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's human resources representative.

11. Government and Other Regulations. The grant of Performance Awards is subject to all laws, regulations and orders of any governmental authority which may be applicable thereto and, notwithstanding any of the provisions hereof, the Participant acknowledges that the Company will not be obligated to issue any Shares hereunder if the grant or vesting thereof or the issuance of such Shares, as the case may be, would constitute a violation by the Participant or the Company of any such law, regulation or order or any provision thereof. The Company shall not be obligated to take any affirmative action in order to cause the vesting of the Performance Awards or the issuance of Shares pursuant hereto to comply with any such law, regulation, order or provision.

12. Miscellaneous Provisions.

(a) The Performance Awards are granted under and subject to the terms and conditions of the Plan, which is incorporated herein and made part hereof by this reference. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern. In the event of a conflict between the terms of the Plan and this Agreement, the terms of the Plan, as interpreted by the Board or the Committee, shall govern and all decisions under and interpretations of the Plan or this Agreement by the Committee or the Board shall be final, binding and conclusive upon the Participant and his heirs and legal representatives. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

(b) This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement and the Plan supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(c) If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(d) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(e) This Agreement may be executed or deemed executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this grant of Performance Awards to be executed, as of the Date of Grant.

BLOOMIN' BRANDS, INC.

By: ELECTRONIC SIGNATURE

Elizabeth Smith, Chief Executive Officer

(or Kelly Lefferts, Group Vice President, Legal)

**Exhibit B**

**Performance-Based Vesting Terms and Conditions**

**Vesting Schedule**:

Subject to the provisions of this Agreement, the number of Performance Awards earned based on the achievement of the Performance Goals set forth in the table below shall vest and become payable in Shares on the following Vesting Date:

100% shall vest on the third anniversary of the Date of Grant

No Performance Awards shall be payable in Shares prior to such Vesting Date, despite the Company having achieved, to any extent, the Performance Goals set forth below or in a subsequent schedule added to this Agreement.

The Performance Goals set forth below are for the Performance Period and apply to the total number of Performance Awards subject to this Agreement (the “Target Number of Performance Awards”). The Target Number of Performance Awards earned will be adjusted up or down based upon the level of performance achieved for the Performance Period in accordance with the Performance Goals as provided below.

**Performance Goals for the Performance Period:**

<table>
<tr><th>Bloomin’ Brands, Inc. [Performance Goal]</th><th>Payout Adjustment Percentage</th></tr>
<tr><td>X%</td><td>200%</td></tr>
<tr><td>X%</td><td>150%</td></tr>
<tr><td>X%</td><td>125%</td></tr>
<tr><td>X%</td><td>100%</td></tr>
<tr><td>X%</td><td>75%</td></tr>
<tr><td>X%</td><td>50%</td></tr>
<tr><td><X%</td><td>0%</td></tr>
<tr><td colspan="2">For percentage achievement of Plan between listed Performance Goals, the Payout Adjustment Percentage will be interpolated between Performance Goals, except that anything below the lowest listed Performance Goal results in no payout.</td></tr>
</table>

*[Add explanation of how the performance measure will be calculated, and how performance metric over the three-year Performance Period will be calculated]*

EXHIBIT 10.6

April 15, 2016

**Chris Brandt**

Dear Chris,

This letter agreement confirms the verbal offer extended to you for the position of Executive Vice President and Chief Brand Officer of Bloomin' Brands, Inc. (the "Company"). You will report to Liz Smith, Chief Executive Officer. Your start date is May 16, 2016. The terms of your employment will be:

You will be employed by a subsidiary of the Company (the "Employer") and will be paid an annual base salary of $560,000 payable in equal bi-weekly installments.

You will be eligible to participate in the Company's annual bonus program at a target bonus of 85% of your base salary based on both Company performance against objectives, as set forth in the Company bonus program, and individual performance. Your bonus for the 2016 fiscal year will be prorated based on of the amount of time that you are employed in this position during the fiscal year, and will be paid to you only if you remain employed by the Employer through the payout date.

In addition, you will be eligible for the 2017 annual long-term incentive ("LTI") grant. Per the Company's current LTI plan, you may be eligible for a target up to 125% of your base salary, which will be subject to Company and individual performance.

You will receive a hiring bonus in the amount of $250,000 to be paid in January 2017. Should you voluntarily terminate your employment or be terminated for Cause (as defined on Schedule 1, attached hereto) within one year of this payment, you agree to repay such payment to the Employer within thirty days of your termination.

The Company will issue you a one-time grant of 200,000 stock options and a one-time grant of 75,000 restricted stock units. Both grants will have standard vesting of four years contingent on continued employment with the Company or the Employer. All grants are subject to the terms of our 2016 Omnibus Incentive Compensation Plan and Equity Award Policy (collectively, the "Plan") and our standard award agreement. Our standard equity agreement includes a "double trigger" provision to protect you in the event of a change-in-control. The details of the Plan and the form of grant agreement will be provided to you separately.

This position is also eligible for a Tier 5 relocation benefit as outlined in the Bloomin' Brands relocation policy. All payments related to the relocation benefit will be grossed up except for the initial miscellaneous one-time payment. Should you voluntarily terminate your employment or be terminated for Cause (as defined on Schedule 1), within one year of your start date, you will be liable for repayment of all relocation costs and any gross-up payments made by the Company as outlined in the Relocation Repayment Agreement.

You will be eligible to participate in the following benefits as applicable and in accordance with the terms of Company policy:

- Medical Benefits Plan
- Annual Executive Medical Check-Up
- Salaried Short-Term Disability Insurance
- Salaried Long-Term Disability Insurance
- Company Paid Group Term Life Insurance
- Company Paid Accidental Death and Dismemberment
- Dental Benefits Plan
- Vision Benefits Plan
- Non-Qualified Deferred Compensation Plan
- Comp Meal Benefit Program

In the ordinary course of business, pay and benefit plans continue to evolve as business needs and laws change. To the extent the Company or the Employer determines it to be necessary or desirable to change or eliminate any of the plans or programs in which you participate, such changes will apply to you as they do to other similarly situated employees.

As a condition of your employment, please note the following:

While it is our sincere hope and belief that our relationship will be mutually beneficial, the Company and the Employer do not offer employment for a specified term. Any statements made to you in this letter and in meetings should not be construed in any manner as a proposed contract for any such term. Both you and the Employer may terminate employment at any time, with or without prior notice, for any or no reason, and with or without cause.

As a further condition of your employment you agree to the following:

**Restrictive Covenant - Non-competition**

1. During Employment. You will devote one hundred percent (100%) of your full business time, attention, energies, and effort to the business affairs of the Employer and the Company. Except with the prior written consent of the Employer, during your employment with the Company or the Employer, you shall not, individually or jointly with others, directly or indirectly, whether for your own account or for that of any other person or entity, engage in or own or hold any ownership interest in any person or entity engaged in a full service restaurant business, and you shall not act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, proprietor or in any other capacity for, nor lend any assistance (financial or otherwise) or cooperation to, any such person or entity. You shall not serve on the board of directors or advisory committee of any other company without the prior consent of the Employer, which consent shall not be unreasonably withheld.

2. Post Term. Commencing on termination of your employment with the Employer, you shall not, individually or jointly with others, directly or indirectly, whether for your own account or for that of any other person or entity, engage in or own or hold any ownership interest in any person or entity engaged in a full service restaurant business and that is located or intended to be located anywhere within a radius of

thirty (30) miles of any full service restaurant owned or operated by the Company, the Employer, their subsidiaries, franchisees or affiliates, or any affiliates of any of the foregoing, or any proposed full service restaurant to be owned or operated by any of the foregoing, and you shall not act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, proprietor or in any other capacity for, nor lend any assistance (financial or otherwise) or cooperation to, any such person or entity for the time period specified below:

a) If your employment with Employer ends for any other reason other than your voluntary resignation or your termination by the Employer for Cause, then for a continuous period equal to the period of time used for calculating the amount of severance paid to you upon termination, if any; or

(b) If your employment with the Employer ends as a result of your voluntary resignation or termination by the Employer for Cause (as defined on Schedule 1), for a continuous period of one (1) year.

For purposes of this Non-competition clause, restaurants owned or operated by the Company or the Employer shall include all restaurants owned or operated by the Company, the Employer, their subsidiaries, franchisees or affiliates and any successor entity to the Company, the Employer, their subsidiaries, franchisees or affiliates, and any entity in which the Company or the Employer, its subsidiaries or any of their affiliates has an interest, including but not limited to, an interest as a franchisor. The term "proposed restaurant" shall include all locations for which the Company, the Employer, or their franchisees or affiliates is conducting active, bona fide negotiations to secure a fee or leasehold interest with the intention of establishing a restaurant thereon.

3. Limitation. It shall not be a violation of this Non-competition clause for Employee to own a one percent (1%) or smaller interest in any corporation required to file periodic reports with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or successor statute.

**Restrictive Covenant - Non-disclosure; Non-solicitation; Non-piracy**

4. Except in the performance of your duties hereunder, at no time during your employment with the Company or the Employer, or at any time thereafter, shall you, individually or jointly with others, for your benefit of or for the benefit of any third party, publish, disclose, use or authorize anyone else to publish, disclose or use any secret or confidential material or information relating to any aspect of the business or operations of the Employer, the Company or any of their affiliates, including, without limitation, any secret or confidential information relating to the business, customers, trade or industrial practices, trade secrets, technology, recipes, product specifications, restaurant operating techniques and procedures, marketing techniques and procedures, financial data, processes, vendors and other information or know-how of the Employer, the Company or any of their affiliates, except (i) to the extent required by law, regulation or valid subpoena, or (ii) to the extent that such information or material becomes publicly known or available through no fault of your own.

5. Moreover, during your employment with the Employer and for two (2) years thereafter, except as is the result of a broad solicitation that is not targeting employees of the Employer, the Company or any of their franchisees or affiliates, you shall not offer employment to, or hire, any employee of the Employer, the Company or any of their franchisees or affiliates, or otherwise directly or indirectly solicit or induce any employee of the Employer, the Company or any of their franchisees or affiliates to terminate his or her employment with the Employer, the Company or any of their franchisees or affiliates;

nor shall you act as an officer, director, employee, partner, independent contractor, consultant, principal, agent, proprietor, owner or part owner, or in any other capacity, of or for any person or entity that solicits or otherwise induces any employee of the Employer, the Company or any of their franchisees or affiliates to terminate his or her employment with the Employer, the Company or any of their franchisees or affiliates.

**Restrictive Covenant - Company and Employer Property: Duty to Return**

6. All Employer and Company property and assets, including but not limited to products, recipes, product specifications, training materials, employee selection and testing materials, marketing and advertising materials, special event, charitable and community activity materials, customer correspondence, internal memoranda, products and designs, sales information, project files, price lists, customer and vendor lists, prospectus reports, customer or vendor information, sales literature, territory printouts, call books, notebooks, textbooks, and all other like information or products, including but not limited to all copies, duplications, replications, and derivatives of such information or products, now in your possession or acquired by you while in the employ of the Employer shall be the exclusive property of the Employer and shall be returned to the Employer no later than the date of your last day of employment with the Employer.

**Restrictive Covenant - Inventions, Ideas, Processes, and Designs**

7. All inventions, ideas, recipes, processes, programs, software and designs (including all improvements) related to the business of the Employer or the Company shall be disclosed in writing promptly to the Employer, and shall be the sole and exclusive property of the Employer, if either (i) conceived, made or used by you during the course of the your employment with the Employer (whether or not actually conceived during regular business hours) or (ii) made or used by you for a period of six (6) months subsequent to the termination or expiration of such employment. Any invention, idea, recipe, process, program, software or design (including an improvement) shall be deemed “related to the business of the Employer or the Company” if (i) it was made with equipment, facilities or confidential information of the Employer or the Company, (ii) results from work performed by you for the Employer or the Company or (iii) pertains to the current business or demonstrably anticipated research or development work of the Employer or the Company. You shall cooperate with the Employer and its attorneys in the preparation of patent and copyright applications for such developments and, upon request, shall promptly assign all such inventions, ideas, recipes, processes and designs to the Employer. The decision to file for patent or copyright protection or to maintain such development as a trade secret shall be in the sole discretion of the Employer, and you shall be bound by such decision. You shall provide, on the back of this Agreement, a complete list of all inventions, ideas, recipes, processes and designs if any, patented or unpatented, copyrighted or non-copyrighted, including a brief description, that you made or conceived prior to your employment with the Employer, and that, therefore, are excluded from the scope of the employment with the Employer.

The restrictive covenants contained in this agreement are given and made by you to induce the Employer to employ you and to enter into this Agreement with you, and you hereby acknowledge that employment with the Employer is sufficient consideration for these restrictive covenants. Further, you acknowledge and agree that these restrictive covenants are reasonable in scope, duration and that the type of actions restricted are reasonably necessary for the protection of the Company’s interests. The restrictive covenants shall be construed as agreements independent of any other provision in this Agreement, and the existence of any claim or cause of action you may have against the Employer or the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement of any restrictive covenant. The refusal or failure of the Employer or the Company to enforce any restrictive covenant of this agreement (or any similar agreement) against any other employee, agent, or independent contractor, for any reason, shall not constitute a defense to the enforcement by the Employer or the Company of any such restrictive covenant, nor shall it give rise to any claim or cause of action by you against the Employer or the Company.

You agree that a breach of any of the restrictive covenants contained in this agreement will cause irreparable injury to the Employer and the Company for which the remedy at law will be inadequate and would be difficult to ascertain and therefore, in the event of the breach or threatened breach of any such covenants, the Employer and the Company shall be entitled, in addition to any other rights and remedies it may have at law or in equity, to obtain an injunction to restrain you from any threatened or actual activities in violation of any such covenants. You hereby consent and agree that temporary and permanent injunctive relief may be granted in any proceedings that might be brought to enforce any such covenants without the necessity of proof of actual damages, and in the event the Employer or the Company does apply for such an injunction, you shall not raise as a defense thereto that the Employer or the Company has an adequate remedy at law.

For the avoidance of doubt, the termination of this agreement for any reason, shall not extinguish your obligations specified in these restrictive covenants.

ALL PARTIES TO THIS AGREEMENT KNOW AND UNDERSTAND THAT THEY HAVE A CONSTITUTIONAL RIGHT TO A JURY TRIAL. THE PARTIES ACKNOWLEDGE THAT ANY DISPUTE OR CONTROVERSY THAT MAY ARISE OUT OF THIS AGREEMENT WILL INVOLVE COMPLICATED AND DIFFICULT FACTUAL AND LEGAL ISSUES.

THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

THE PARTIES INTEND THAT THIS WAIVER OF THE RIGHT TO A JURY TRIAL BE AS BROAD AS POSSIBLE. BY THEIR SIGNATURES BELOW, THE PARTIES PROMISE, WARRANT AND REPRESENT THAT THEY WILL NOT PLEAD FOR, REQUEST OR OTHERWISE SEEK TO HAVE A JURY TO RESOLVE ANY AND ALL DISPUTES THAT MAY ARISE BY, BETWEEN OR AMONG THEM.

You shall be responsible for the payment of all taxes applicable to payments or benefits received from the Employer or the Company. It is the intent of the Employer and the Company that the provisions of this agreement and all other plans and programs sponsored by the Employer and the Company be interpreted to comply in all respects with Internal Revenue Code Section 409A, however, the Employer and the Company shall have no liability to you, or any of your successors or beneficiaries, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any payment or benefit received by you or your successors or beneficiaries.

The validity, interpretation, and performance of this agreement shall be governed, interpreted, and construed in accordance with the laws of the State of Florida without giving effect to the principles of comity or conflicts of laws thereof.

This letter constitutes the full commitments which have been extended to you and shall supersede any prior agreements whether oral or written. However, this does not constitute a contract of employment for any period of time. Should you have any questions regarding these commitments or your ability to conform to Bloomin' Brands policies and procedures, please let me know immediately.

By signing this offer, you indicate your acceptance of our offer. Please keep one original copy of this offer letter for your personal files.

We look forward to having you join us as a member of our executive team. This signed offer letter and any accompanying documentation must be returned to me at PabloBrizi@BloominBrands.com.

Sincerely,

/s/ Pablo Brizi

**Pablo Brizi**
SVP, Chief Human Resources Officer
Bloomin' Brands, Inc.

I accept the above offer to be employed by Bloomin' Brands, Inc. and I understand the terms as set forth above.

| /s/ Chris Brandt | 04/21/16 |
|---|---|
| **Chris Brandt** | **Date** |

Schedule 1

"Cause" shall be defined as:

1. Gross negligence or intentional act by you that causes, or that would reasonably be expected to cause, the Company harm. after the Employer follows the following procedures: (a) the Employer gives you a written notice ("Notice of Deficiency") which shall specify the deficiencies in your performance of duties; (b) you shall have a period of thirty (30) days, commencing on receipt of the Notice of Deficiency, in which to cure the deficiencies contained in the Notice of Deficiency; and (c) in the event you do not cure the deficiencies to the satisfaction of the Employer, in its sole discretion, within such thirty (30) day period (or if during such thirty (30) day period the Employer determines that you are not making reasonable, good faith efforts to cure the deficiencies to the satisfaction of the Employer), the Employer shall have the right to immediately terminate your employment for Cause. The provisions of this paragraph (1) may be invoked by the Employer any number of times and cure of deficiencies contained in any Notice of Deficiency shall not be construed as a waiver of this paragraph (1) nor prevent the Employer from issuing any subsequent Notices of Deficiency; or

2. Any dishonesty by you in the your dealings with the Company, the Employer or their affiliates; your commission of fraud, gross negligence in the performance of your duties;; willful misconduct; your conviction (or plea of guilty or nolo contendere), indictment or charge with respect to, any felony, or any other crime involving dishonesty or moral turpitude; or willful disregard of any reasonable and lawful instruction from the Company's Board of Directors, CEO or any other person to whom Executive reports; or

3. Any violation of the restrictive covenants of this agreement or

4. Any violation of any current or future material published policy of the Employer or its Affiliates (material published policies include, but are not limited to, the Employer's discrimination and harassment policy, management dating policy, responsible alcohol policy, insider trading policy, ethics policy and security policy); or

5. For all purposes of this Agreement, termination for Cause shall be deemed to have occurred in the event of the Employee's resignation when, because of existing facts and circumstances, subsequent termination for Cause can be reasonably foreseen.

**Exhibit 31.1**

**CERTIFICATION**

I, Elizabeth A. Smith, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2016

/s/ Elizabeth A. Smith

Elizabeth A. Smith

Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

# CERTIFICATION

I, David J. Deno, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2016

/s/ David J. Deno

David J. Deno

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

**Exhibit 32.1**

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 26, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth A. Smith, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

| | | |
|---|---|---|
| Date: | August 3, 2016 | /s/ Elizabeth A. Smith |
| | | Elizabeth A. Smith |
| | | Chief Executive Officer<br>(Principal Executive Officer) |

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

**Exhibit 32.2**

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

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 26, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Executive Vice President and Chief Financial and Administrative Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

| | |
|---|---|
| Date: August 3, 2016 | /s/ David J. Deno |
| | David J. Deno |
| | Executive Vice President and Chief Financial and Administrative Officer<br>(Principal Financial Officer) |

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