Bloomin' Brands, Inc.
Form 10-Q
November 02, 2018

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 September 30, 2018
	or
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from ______ to ______

Commission File Number: 001-35625

BLOOMIN' BRANDS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o
Smaller reporting company o Emerging growth company o

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

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

As of October 30, 2018, 91,901,387 shares of common stock of the registrant were outstanding.

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended September 30, 2018
(Unaudited)

TABLE OF CONTENTS

Table of Contents
BLOOMIN' BRANDS, INC.

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

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 78,615	$ 128,263
Current portion of restricted cash and cash equivalents	—	1,280
Inventories	48,515	51,264
Other current assets, net	101,324	179,402
Total current assets	228,454	360,209
Property, fixtures and equipment, net	1,129,347	1,173,414
Goodwill	291,822	310,234
Intangible assets, net	505,855	522,290
Deferred income tax assets, net	76,236	60,486
Other assets, net	119,080	135,261
Total assets	$ 2,350,794	$ 2,561,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 163,738	$ 185,461
Accrued and other current liabilities	227,867	270,840
Unearned revenue	202,277	330,756
Current portion of long-term debt	26,767	26,335
Total current liabilities	620,649	813,392
Deferred rent	165,702	160,047
Deferred income tax liabilities	13,845	16,926
Long-term debt, net	1,124,024	1,091,769
Long-term portion of deferred gain on sale-leaseback transactions, net	180,302	188,086
Other long-term liabilities, net	186,130	210,443
Total liabilities	2,290,652	2,480,663
Commitments and contingencies (Note 15)		
Stockholders' equity		
Bloomin' Brands stockholders' equity		
Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value, 475,000,000 shares authorized; 91,853,854 and 91,912,546 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	919	919
Additional paid-in capital	1,108,636	1,081,813
Accumulated deficit	(915,925)	(913,191)
Accumulated other comprehensive loss	(143,276)	(99,199)
Total Bloomin' Brands stockholders' equity	50,354	70,342
Noncontrolling interests	9,788	10,889
Total stockholders' equity	60,142	81,231
Total liabilities and stockholders' equity	$ 2,350,794	$ 2,561,894

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

Table of Contents
BLOOMIN' BRANDS, INC.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Revenues				
Restaurant sales	$949,400	$ 940,012	$3,063,887	$ 3,105,027
Franchise and other revenues	15,621	15,575	49,413	41,729
Total revenues	965,021	955,587	3,113,300	3,146,756
Costs and expenses				
Cost of sales	307,493	296,632	982,415	984,510
Labor and other related	289,023	285,325	902,006	907,580
Other restaurant operating	233,744	235,944	725,468	735,480
Depreciation and amortization	50,571	47,826	151,473	142,479
General and administrative	67,691	66,063	212,516	215,059
Provision for impaired assets and restaurant closings	3,962	18,578	15,590	38,253
Total costs and expenses	952,484	950,368	2,989,468	3,023,361
Income from operations	12,537	5,219	123,832	123,395
Loss on extinguishment and modification of debt	—	—	—	(260)
Other (expense) income, net	(1)	7,531	(6)	14,761
Interest expense, net	(11,600)	(10,705)	(33,229)	(29,389)
Income before (benefit) provision for income taxes	936	2,045	90,597	108,507
(Benefit) provision for income taxes	(3,317)	(3,248)	(6,516)	17,744
Net income	4,253	5,293	97,113	90,763
Less: net income (loss) attributable to noncontrolling interests	181	(290)	922	1,422
Net income attributable to Bloomin' Brands	$4,072	$ 5,583	$96,191	$ 89,341
Net income	$4,253	$ 5,293	$97,113	$ 90,763
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(16,349)	6,399	(45,044)	17,770
Unrealized gain (loss) on derivatives, net of tax	37	370	1,221	(139)
Reclassification of adjustment for (gain) loss on derivatives included in Net income, net of tax	(51)	492	328	1,919
Comprehensive (loss) income	(12,110)	12,554	53,618	110,313
Less: comprehensive income (loss) attributable to noncontrolling interests	423	(306)	1,504	1,376
Comprehensive (loss) income attributable to Bloomin' Brands	$(12,533)	$ 12,860	$52,114	$ 108,937
Earnings per share:				
Basic	$0.04	$ 0.06	$1.04	$ 0.91
Diluted	$0.04	$ 0.06	$1.02	$ 0.88
Weighted average common shares outstanding:				
Basic	92,202	92,485	92,197	98,137

Diluted	93,324	95,655	94,489	101,497
Cash dividends declared per common share	$0.09	$ 0.08	$0.27	$ 0.24

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

Table of Contents
BLOOMIN’ BRANDS, INC.

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

	BLOOMIN’ BRANDS, INC.						
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT					
Balance, December 31, 2017	91,913	$ 919	$ 1,081,813	$ (913,191)	$ (99,199)	$ 10,889	$ 81,231
Net income	—	—	—	96,191	—	1,251	97,442
Other comprehensive (loss) income, net of tax	—	—	—	—	(44,077)	582	(43,495)
Cash dividends declared, $0.27 per common share	—	—	(25,078)	—	—	—	(25,078)
Repurchase and retirement of common stock	(4,371)	(43)	—	(98,925)	—	—	(98,968)
Stock-based compensation	—	—	16,478	—	—	—	16,478
Common stock issued under stock plans (1)	4,312	43	35,752	—	—	—	35,795
Change in the redemption value of redeemable interests	—	—	(329)	—	—	—	(329)
Distributions to noncontrolling interests	—	—	—	—	—	(4,505)	(4,505)
Contributions from noncontrolling interests	—	—	—	—	—	1,571	1,571
Balance, September 30, 2018	91,854	$ 919	$ 1,108,636	$ (915,925)	$ (143,276)	$ 9,788	$ 60,142

(CONTINUED...)

Table of Contents
BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.						
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT					
Balance, December 25, 2016	103,922	$ 1,039	$ 1,079,583	$ (756,070)	$ (111,143)	$ 12,654	$ 226,063
Net income	—	—	—	89,341	—	1,594	90,935
Other comprehensive income (loss), net of tax	—	—	—	—	19,596	(76)	19,520
Cash dividends declared, $0.24 per common share	—	—	(23,677)	—	—	—	(23,677)
Repurchase and retirement of common stock	(13,807)	(138)	—	(272,598)	—	—	(272,736)
Stock-based compensation	—		17,969	—	—	—	17,969
Common stock issued under stock plans (1)	1,049	11	4,617	(180)	—	—	4,448
Change in the redemption value of redeemable interests	—	—	(172)	—	—	—	(172)
Purchase of noncontrolling interests, net of tax of $45	—	—	(713)	—	—	(180)	(893)
Distributions to noncontrolling interests	—	—	—	—	—	(4,158)	(4,158)
Contributions from noncontrolling interests	—	—	—	—	—	727	727
Cumulative-effect from a change in accounting principle	—	—	—	14,364	—	—	14,364
Other	—	—	—	—	—	419	419
Balance, September 24, 2017	91,164	$ 912	$ 1,077,607	$ (925,143)	$ (91,547)	$ 10,980	$ 72,809

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

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

Table of Contents
BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Cash flows provided by operating activities:		
Net income	$97,113	$ 90,763
Adjustments to reconcile Net income to cash provided by operating activities:		
Depreciation and amortization	151,473	142,479
Amortization of deferred discounts and issuance costs	1,930	2,240
Amortization of deferred gift card sales commissions	20,151	18,530
Provision for impaired assets and restaurant closings	15,590	38,253
Stock-based and other non-cash compensation expense	19,692	19,775
Deferred income tax (benefit) expense	(1,318)	3,252
Gain on sale of a business or subsidiary	—	(15,787)
Loss on extinguishment and modification of debt	—	260
Recognition of deferred gain on sale-leaseback transactions	(9,237)	(8,836)
Other, net	2,177	4,690
Change in assets and liabilities	(142,375)	(72,604)
Net cash provided by operating activities	155,196	223,015
Cash flows used in investing activities:		
Proceeds from disposal of property, fixtures and equipment	10,453	19
Proceeds from sale-leaseback transactions, net	11,332	83,866
Proceeds from sale of a business, net of cash divested	—	38,980
Capital expenditures	(146,288)	(183,820)
Other investments, net	200	(1,580)
Net cash used in investing activities	$(124,303)	$ (62,535)

(CONTINUED...)

Table of Contents

BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Cash flows used in financing activities:		
Proceeds from issuance of long-term debt, net	$1,637	$ 124,443
Repayments of long-term debt	(20,164)	(64,578)
Proceeds from borrowings on revolving credit facilities, net	378,529	467,500
Repayments of borrowings on revolving credit facilities	(329,700)	(417,000)
Proceeds from failed sale-leaseback transactions, net	—	5,942
Proceeds from share-based compensation, net	35,795	4,628
Distributions to noncontrolling interests	(4,505)	(4,158)
Contributions from noncontrolling interests	1,571	727
Purchase of limited partnership and noncontrolling interests	(1,619)	(5,354)
Repayments of partner deposits and accrued partner obligations	(14,458)	(11,763)
Repurchase of common stock	(98,968)	(272,916)
Cash dividends paid on common stock	(25,078)	(23,677)
Net cash used in financing activities	(76,960)	(196,206)
Effect of exchange rate changes on cash and cash equivalents	(4,861)	1,972
Net decrease in cash, cash equivalents and restricted cash	(50,928)	(33,754)
Cash, cash equivalents and restricted cash as of the beginning of the period	129,543	136,186
Cash, cash equivalents and restricted cash as of the end of the period	$78,615	$ 102,432
Supplemental disclosures of cash flow information:		
Cash paid for interest	$31,376	$ 27,897
Cash paid for income taxes, net of refunds	9,696	28,134
Supplemental disclosures of non-cash investing and financing activities:		
Increase in liabilities from the acquisition of property, fixtures and equipment or capital leases	$5,075	$ 6,375

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

Table of Contents
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. Each of the Company's concepts has additional restaurants in which it has no direct investment and are operated under franchise agreements.

Basis of Presentation - The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for fair financial statement presentation for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Recently Adopted Financial Accounting Standards - On January 1, 2018, the Company elected to early adopt Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," ("ASU No. 2017-04") on a prospective basis. ASU No. 2017-04 eliminates the second step of goodwill impairment, which requires a hypothetical purchase price allocation. Under ASU No. 2017-04, goodwill impairment is calculated as the amount a reporting unit's carrying value exceeds its calculated fair value. The adoption of ASU No. 2017-04 did not impact the Company's Consolidated Financial Statements. Goodwill and indefinite-lived intangible assets are tested for impairment annually, as of the first day of the second fiscal quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company performed its annual assessment for impairment of goodwill and other indefinite-lived intangible assets during the second quarters of 2018 and 2017. In connection with these assessments, the Company did not record any goodwill or indefinite-lived intangible impairment charges.

On January 1, 2018, the Company adopted ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09") using the full retrospective transition method. ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. The standard also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under the new standard, the Company recognizes gift card breakage proportional to redemptions, which are highest in the Company's first fiscal quarter. Previously, under the remote method, the majority of breakage revenue was recorded in the Company's fourth fiscal quarter corresponding with the timing of the original gift card sale. Advertising fees charged to franchisees, which were previously recorded as a reduction to Other restaurant operating expenses, are recognized as Franchise revenue. In addition, initial franchise and renewal fees are recognized over the term of the franchise agreements. In connection with adoption of ASU No. 2014-09, a cumulative effect adjustment of $33.1 million, net of tax, was recorded as a credit to the ending balance of Accumulated deficit as of December 27, 2015.

9

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The following table includes a restatement of the Company's Consolidated Statement of Operations for the retrospective adoption of ASU No. 2014-09 during the periods indicated:

(dollars in thousands, except per share data)	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017			THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017		
	AS REPORTED	2014-09 IMPACT	AS RESTATED	AS REPORTED	2014-09 IMPACT	AS RESTATED
Revenues						
Restaurant sales	$937,852	$ 2,160	$ 940,012	$3,093,297	$ 11,730	$ 3,105,027
Franchise and other revenues	11,047	4,528	15,575	32,407	9,322	41,729
Total revenues	$948,899	$ 6,688	$ 955,587	$3,125,704	$ 21,052	$ 3,146,756
Costs and expenses						
Other restaurant operating	$231,293	$ 4,651	$ 235,944	$723,357	$ 12,123	$ 735,480
Income from operations	$3,182	$ 2,037	$ 5,219	$114,466	$ 8,929	$ 123,395
Income before (benefit) provision for income taxes	$8	$ 2,037	$ 2,045	$99,578	$ 8,929	$ 108,507
(Benefit) provision for income taxes	$(4,038)	$ 790	$ (3,248)	$14,280	$ 3,464	$ 17,744
Net income	$4,046	$ 1,247	$ 5,293	$85,298	$ 5,465	$ 90,763
Net income attributable to Bloomin' Brands	$4,336	$ 1,247	$ 5,583	$83,876	$ 5,465	$ 89,341
Basic earnings per share	$0.05	$ 0.01	$ 0.06	$0.85	$ 0.06	$ 0.91
Diluted earnings per share	$0.05	$ 0.01	$ 0.06	$0.83	$ 0.05	$ 0.88

The following table includes a restatement of the Company's Consolidated Balance Sheet as of December 31, 2017 for the retrospective adoption of ASU No. 2014-09:

(dollars in thousands)	DECEMBER 31, 2017		
	AS REPORTED	2014-09 IMPACT	AS RESTATED
ASSETS			
Deferred income tax assets, net	$71,499	$(11,013)	$60,486
Total assets	$2,572,907	$(11,013)	$2,561,894
LIABILITIES AND STOCKHOLDERS' EQUITY			
Unearned revenue			
Deferred gift card revenue	$371,455	$(47,827)	$323,628
Deferred loyalty revenue	6,667	—	6,667
Deferred franchise fees - current	105	356	461
Total Unearned revenue	$378,227	$(47,471)	$330,756
Total current liabilities	$860,863	$(47,471)	$813,392
Other long-term liabilities, net (1)	$205,745	$4,698	$210,443
Total liabilities	$2,523,436	$(42,773)	$2,480,663
Bloomin' Brands stockholders' equity			
Accumulated deficit	$(944,951)	$31,760	$(913,191)
Total Bloomin' Brands stockholders' equity	$38,582	$31,760	$70,342
Total stockholders' equity	$49,471	$31,760	$81,231
Total liabilities and stockholders' equity	$2,572,907	$(11,013)	$2,561,894

(1) Includes the non-current portion of deferred franchise fees.

See Note 2 - Revenue Recognition for required disclosures under ASU No. 2014-09.

Effective July 2, 2018, the Company adopted ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU No. 2017-12"), which provides guidance for reporting the economic results of hedging activities and simplifies the disclosures of risk exposures and hedging strategies. Upon adoption, the Company revised its accounting policies and certain disclosures, however there was no impact on its Consolidated Financial Statements. For derivatives that qualify for hedge accounting, any gain or loss on the derivative instrument is recognized in equity as a change to Accumulated other comprehensive loss and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. See Note 12 - Derivative Instruments and Hedging Activities for required disclosures under ASU No. 2017-12.

Recently Issued Financial Accounting Standards Not Yet Adopted - In February 2016, the Financial Accounting Standards Board ("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. In July 2018, the FASB issued ASU No. 2018-11: Leases (Topic 842): Targeted Improvements ("ASU No. 2018-11"), that allows for an additional transition method, which permits use of the effective date of adoption as the date of initial application of ASU No. 2016-02 without restating comparative period financial statements. ASU No. 2016-02 and ASU No. 2018-11 are effective for the Company in 2019 and the Company will adopt ASU No. 2016-02 using the transition method allowable under ASU No. 2018-11. The Company plans to elect a transition package including practical expedients that require application to comparative periods but do not require it to reassess the classification and initial direct costs of expired or existing contracts and leases. In preparation for adoption, the Company is in the process of implementing a new lease accounting system and is assessing the overall impact of adoption on its financial statements and internal control over financial reporting. Adoption of ASU No. 2016-02 is expected to have an impact on the Company's Consolidated Balance Sheet due to recognition of right-of-use assets and lease liabilities related to real estate and equipment under operating lease agreements. The adoption will result in a credit to the beginning balance of Accumulated Deficit to derecognize deferred gains on sale-leaseback transactions and a corresponding debit for the related deferred tax assets. At September 30, 2018, deferred gains on sale-leaseback transactions and their related deferred tax assets were $192.7 million and $49.6 million, respectively. There will also be an increase to Other restaurant operating expense in future periods since the Company will not recognize these deferred gains through its statements of operations over the corresponding lease term. During the thirty-nine weeks ended September 30, 2018, the Company recorded $9.2 million of sale-leaseback deferred gain amortization. The Company's evaluation of ASU No. 2016-02 is ongoing and may identify additional impacts on its Consolidated Financial Statements and related disclosures.

Reclassifications - The Company reclassified certain items in the accompanying Consolidated Financial Statements for prior periods to be comparable with the classification for the current period.

2. Revenue Recognition

The Company records food and beverage revenues, net of discounts and taxes, upon delivery to the customer. Franchise-related revenues are included in Franchise and other revenues in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income. Royalties, which are a percentage of net sales of the franchisee, are recognized as revenue in the period which the sales are reported to have occurred.

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017 (Restated) (1)	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017 (Restated) (1)
Revenues				
Restaurant sales	$949,400	$ 940,012	$3,063,887	$ 3,105,027
Franchise and other revenues:				
Franchise revenue	$12,534	$ 12,400	$39,883	$ 33,062
Other revenue	3,087	3,175	9,530	8,667
Total Franchise and other revenues	$15,621	$ 15,575	$49,413	$ 41,729
Total revenues	$965,021	$ 955,587	$3,113,300	$ 3,146,756

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018 RESTAURANT SALES	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018 FRANCHISE REVENUE	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018 RESTAURANT SALES	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018 FRANCHISE REVENUE
U.S.				
Outback Steakhouse (1)	$498,390	$ 9,583	$1,591,588	$ 30,814
Carrabba's Italian Grill (1)	148,513	154	485,894	458
Bonefish Grill	135,691	218	441,594	691
Fleming's Prime Steakhouse & Wine Bar	64,652	—	218,954	—
Other	1,591	—	4,088	—
U.S. Total	$848,837	$ 9,955	$2,742,118	$ 31,963
International				
Outback Steakhouse-Brazil	$81,193	$ —	$264,125	$ —
Other	19,370	2,579	57,644	7,920
International Total	$100,563	$ 2,579	$321,769	$ 7,920
Total	$949,400	$ 12,534	$3,063,887	$ 39,883

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
	RESTAURANT SALES	FRANCHISE REVENUE	RESTAURANT SALES	FRANCHISE REVENUE
U.S.	(Restated) (2)	(Restated) (2)	(Restated) (2)	(Restated) (2)
Outback Steakhouse (1)	$478,637	$ 9,573	$1,609,172	$ 24,538
Carrabba's Italian Grill (1)	150,943	157	501,965	402
Bonefish Grill	136,134	190	450,521	707
Fleming's Prime Steakhouse & Wine Bar	60,208	—	208,083	—
Other	154	—	154	—
U.S. Total	$826,076	$ 9,920	$2,769,895	$ 25,647
International				
Outback Steakhouse-Brazil	$95,344	$ —	$282,035	$ —
Other	18,592	2,480	53,097	7,415
International Total	$113,936	$ 2,480	$335,132	$ 7,415
Total	$940,012	$ 12,400	$3,105,027	$ 33,062

(1) In 2017, the Company sold 53 Outback Steakhouse restaurants and one Carrabba's Italian Grill restaurant, which are now operated as franchises.
(2) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

Gift Card Revenue - Proceeds from the sale of gift cards, which do not have expiration dates, are recorded as deferred revenue and recognized as revenue upon redemption by the customer. Gift cards sold at a discount are recorded as revenue upon redemption of the associated gift cards at an amount net of the related discount. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized using estimates based on historical redemption patterns. If actual redemptions vary from the estimated breakage, gift card breakage income may differ from the amount recorded. The Company periodically updates its estimates used for breakage. Gift card sales that are accompanied by a bonus card to be used by the customer at a future visit result in a separate deferral of a portion of the original gift card sale. Revenue is recorded when the bonus card is redeemed at the estimated fair market value of the bonus card. Approximately 86% of the current deferred gift card revenue is expected to be recognized over the next 12 months.

Gift card sales commissions paid to third-party providers are initially capitalized and subsequently amortized to Other restaurant operating expenses based on historical gift card redemption patterns.

Advertising Fees - Advertising fees charged to franchisees are recognized as Franchise revenue in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income.

Franchise Fees - Initial franchise and renewal fees are recognized over the term of the franchise agreement and renewal period, respectively. The weighted average remaining term of franchise agreements and renewal periods was approximately 15 years as of September 30, 2018.

Loyalty Program - The Company maintains a customer loyalty program, Dine Rewards, in the U.S., where customers have the ability to earn a reward after a number of qualified visits. The Company has developed an estimated value of the partial reward earned from each qualified visit, which is recorded as deferred revenue. Each reward has a maximum value and must be redeemed within three months of earning such reward. The revenue associated with the fair value of the qualified visit is recognized upon the earlier of redemption or expiration of the reward. The Company applies the practical expedient to exclude disclosures regarding loyalty program remaining performance obligations which have original expected durations of one year or less.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Other current assets, net		
Deferred gift card sales commissions (1)	$ 7,910	$ 16,231
Unearned revenue		
Deferred gift card revenue (1)	$ 193,283	$ 323,628
Deferred loyalty revenue	8,535	6,667
Deferred franchise fees - current (1)	459	461
Total Unearned revenue	$ 202,277	$ 330,756
Other long-term liabilities, net		
Deferred franchise fees - non-current (1)	$ 4,761	$ 4,698

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 on the Company's Consolidated Balance Sheet as of December 31, 2017.

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Balance, beginning of period	$9,175	$ 9,418	$16,231	$ 15,584
Deferred gift card sales commissions amortization	(4,932)	(4,774)	(20,151)	(18,530)
Deferred gift card sales commissions capitalization	4,029	3,763	13,287	12,553
Other	(362)	(1,060)	(1,457)	(2,260)
Balance, end of period	$7,910	$ 7,347	$7,910	$ 7,347

The Company applies the portfolio approach practical expedient to account for gift card contracts and performance obligations. The following table is a rollforward of unearned gift card revenue for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Balance, beginning of period	$213,286	$ 201,805	$323,628	$ 331,803
Gift card sales	54,477	54,392	189,599	193,638
Gift card redemptions	(71,146)	(74,061)	(304,198)	(329,696)
Gift card breakage (1)	(3,334)	(4,008)	(15,746)	(17,617)
Balance, end of period	$193,283	$ 178,128	$193,283	$ 178,128

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 for the thirteen and thirty-nine weeks ended September 24, 2017.

14

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

3. Impairments and Exit Costs

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
Impairment losses				
U.S.	$1,330	$ 12,339	$1,725	$ 13,272
International	—	1,903	6,597	1,903
Total impairment losses	$1,330	$ 14,242	$8,322	$ 15,175
Restaurant closure expenses				
U.S.	$2,650	$ 4,336	$3,672	$ 23,078
International	(18)	—	3,596	—
Total restaurant closure expenses	$2,632	$ 4,336	$7,268	$ 23,078
Provision for impaired assets and restaurant closings	$3,962	$ 18,578	$15,590	$ 38,253

Closure Initiatives - Since February 2017, the Company decided to close certain underperforming restaurants in the U.S. and certain Abbraccio restaurants outside of the core markets of São Paulo and Rio de Janeiro in Brazil and in 2016 the Company decided to close certain Bonefish Grill restaurants (collectively, the "Closure Initiatives"). Following is a summary of expenses related to the Closure Initiatives recognized in the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income for the periods indicated:

(dollars in thousands)	INCOME STATEMENT LOCATION	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
Impairment, facility closure and other expenses (1)	Provision for impaired assets and restaurant closings	$2,370	$ 3,772	$4,002	$ 21,784
Severance and other expenses	General and administrative	338	—	570	2,948
Reversal of deferred rent liability	Other restaurant operating	(469)	—	(616)	(4,761)
Total		$2,239	$ 3,772	$3,956	$ 19,971

(1) The Company recognized asset impairment and closure charges within the International segment related to the Closure Initiatives of $1.0 million during the thirty-nine weeks ended September 30, 2018 and $1.9 million during the thirteen and thirty-nine weeks ended September 24, 2017. All other asset impairment and closure charges for the periods presented were recognized within the U.S. segment.

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

Surplus Properties - During the thirteen and thirty-nine weeks ended September 24, 2017, the Company recognized impairment charges of $9.5 million within the U.S. segment in connection with the remeasurement of certain surplus properties currently leased to the owners of its former restaurant concepts.

The remaining restaurant impairment and closing charges resulted primarily from locations identified for remodel, relocation or closure.

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Projected Future Expenses and Cash Expenditures - The Company expects to incur additional charges for the Closure Initiatives through Q3 2019, including costs associated with lease obligations, employee terminations and other closure-related obligations. Following is a summary of remaining estimated pre-tax expense and future cash expenditures, by type, as of September 30, 2018:

Estimated future expense (dollars in millions)	CLOSURE INITIATIVES		
Lease related liabilities, net of subleases	$ 2.0	to	$ 2.4
Employee severance and other obligations	0.2	to	0.4
Total estimated future expense	$ 2.2	to	$ 2.8
Total estimated future cash expenditures (dollars in millions) (1)	$ 21.6	to	$ 26.5

(1) Future cash expenditures for the Closure Initiatives, primarily related to lease liabilities, are expected to occur over the remaining lease terms with the final term ending in January 2029.

Accrued Facility Closure and Other Costs Rollforward - The following table summarizes the Company's accrual activity related to facility closure and other costs, primarily associated with the Closure Initiatives, during the thirty-nine weeks ended September 30, 2018:

(dollars in thousands)	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018
Balance, beginning of the period	$ 22,709
Charges	11,147
Cash payments	(11,805)
Adjustments	(3,879)
Balance, end of the period (1)	$ 18,172

(1) As of September 30, 2018, the Company had exit-related accruals of $5.3 million recorded in Accrued and other current liabilities and $12.9 million recorded in Other long-term liabilities, net in the Consolidated Balance Sheet.

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

4. Earnings Per Share

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(in thousands, except per share data)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)
Net income attributable to Bloomin' Brands	$ 4,072	$ 5,583	$ 96,191	$ 89,341
Basic weighted average common shares outstanding	92,202	92,485	92,197	98,137
Effect of diluted securities:				
Stock options	799	2,781	1,870	2,948
Nonvested restricted stock and restricted stock units	323	389	409	392
Nonvested performance-based share units	—	—	13	20
Diluted weighted average common shares outstanding	93,324	95,655	94,489	101,497
Basic earnings per share	$ 0.04	$ 0.06	$ 1.04	$ 0.91
Diluted earnings per share	$ 0.04	$ 0.06	$ 1.02	$ 0.88

____

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the Net income and Earnings per share impact of implementing ASU No. 2014-09.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(shares in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Stock options	3,802	6,065	2,628	5,663
Nonvested restricted stock and restricted stock units	259	179	129	174
Nonvested performance-based share units	214	134	191	256

5. Stock-based Compensation Plans

The Company recognized stock-based compensation expense as follows:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Stock options	$ 1,533	$ 2,705	$ 5,059	$ 8,404
Restricted stock and restricted stock units	2,323	2,527	7,110	7,769
Performance-based share units	1,309	(235)	3,779	1,001
	$ 5,165	$ 4,997	$ 15,948	$ 17,174

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The following table presents a summary of the Company's stock option activity:

(in thousands, except exercise price and contractual life)	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
Outstanding as of December 31, 2017	10,051	$ 14.89	5.2	$ 71,373
Granted	488	$ 24.01		
Exercised	(3,926)	$ 10.02		
Forfeited or expired	(265)	$ 21.24		
Outstanding as of September 30, 2018	6,348	$ 18.34	5.9	$ 20,051
Exercisable as of September 30, 2018	4,125	$ 17.72	4.7	$ 16,314

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

	THIRTY-NINE WEEKS ENDED	
	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Assumptions:		
Weighted-average risk-free interest rate (1)	2.66 %	1.92 %
Dividend yield (2)	1.50 %	1.84 %
Expected term (3)	5.8 years	6.3 years
Weighted-average volatility (4)	32.76 %	33.72 %
Weighted-average grant date fair value per option	$ 7.23	$ 5.09

____

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

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

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

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

The following represents stock option compensation information for the periods indicated:

	THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Intrinsic value of options exercised	$ 52,001	$ 7,752
Excess tax benefits for tax deductions related to the exercise of stock options	$ 8,316	$ 1,257
Cash received from option exercises, net of tax withholding	$ 39,329	$ 7,095

During the thirty-nine weeks ended September 30, 2018, the Company made grants to its employees of 0.4 million time-based restricted stock units and 0.2 million performance-based share units. As of September 30, 2018, the maximum number of shares of common stock available for issuance pursuant to the Bloomin’ Brands, Inc. 2016 Omnibus Incentive Compensation Plan was 4,418,256.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period as of September 30, 2018:

	UNRECOGNIZED COMPENSATION EXPENSE (dollars in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	$ 9,718	2.4
Restricted stock units	$ 17,181	2.6
Performance-based share units	$ 7,925	1.1

6. Other Current Assets, Net

Other current assets, net, consisted of the following:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Prepaid expenses	$ 43,150	$ 40,688
Accounts receivable - gift cards, net	11,358	66,361
Accounts receivable - vendors, net	5,307	19,483
Accounts receivable - franchisees, net	2,912	2,017
Accounts receivable - other, net	15,546	22,808
Deferred gift card sales commissions (1)	7,910	16,231
Assets held for sale	6,510	6,217
Other current assets, net	8,631	5,597
	$ 101,324	$ 179,402

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 on the Company's Consolidated Balance Sheet as of December 31, 2017.

7. Other Assets, Net

Other assets, net, consisted of the following:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Company-owned life insurance	$ 63,780	$ 73,818
Deferred financing fees (1)	6,980	8,232
Liquor licenses	24,198	24,659
Other assets	24,122	28,552
	$ 119,080	$ 135,261

(1) Net of accumulated amortization of $4.7 million and $4.1 million as of September 30, 2018 and December 31, 2017, respectively.

8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Accrued payroll and other compensation	$ 94,973	$ 113,636
Accrued insurance	23,245	23,482
Other current liabilities	109,649	133,722
	$ 227,867	$ 270,840

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

9. Long-term Debt, Net

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

	SEPTEMBER 30, 2018		DECEMBER 31, 2017	
(dollars in thousands)	OUTSTANDING BALANCE	INTEREST RATE	OUTSTANDING BALANCE	INTEREST RATE
Senior Secured Credit Facility:				
Term loan A (1)	$481,250	3.95 %	$500,000	3.27 %
Revolving credit facility (1)	650,000	3.95 %	600,000	3.26 %
Total Senior Secured Credit Facility	$1,131,250		$1,100,000	
Financing obligations	19,566	7.57% to 7.82%	19,579	7.52% to 7.82%
Capital lease obligations	2,732		2,015	
Other notes payable	959	0.00% to 2.18%	904	0.00% to 2.18%
Less: unamortized debt discount and issuance costs	(3,716)		(4,394)	
Total debt, net	$1,150,791		$1,118,104	
Less: current portion of long-term debt	(26,767)		(26,335)	
Long-term debt, net	$1,124,024		$1,091,769	

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

Debt Covenants - As of September 30, 2018 and December 31, 2017, the Company was in compliance with its debt covenants.

10. Other Long-term Liabilities, Net

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

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Accrued insurance liability	$ 35,269	$ 35,945
Unfavorable leases (1)	33,567	36,661
Chef and Restaurant Managing Partner deferred compensation obligations and deposits	66,470	81,083
Other long-term liabilities (2)	50,824	56,754
	$ 186,130	$ 210,443

(1) Net of accumulated amortization of $35.9 million and $34.0 million as of September 30, 2018 and December 31, 2017, respectively.

(2) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09 on the Company's Consolidated Balance Sheet as of December 31, 2017.

11. Stockholders' Equity

Share Repurchases - On February 16, 2018, the Company's Board of Directors (the "Board") canceled the remaining $55.0 million of authorization under the 2017 Share Repurchase Program and approved a new $150.0 million authorization (the "2018 Share Repurchase Program"). The 2018 Share Repurchase Program will expire on August 16,

2019. As of September 30, 2018, $51.0 million remained available for repurchase under the 2018 Share Repurchase Program.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Following is a summary of the shares repurchased under the Company's share repurchase program during fiscal year 2018:

	NUMBER OF SHARES (in thousands)	AVERAGE REPURCHASE PRICE PER SHARE	AMOUNT (dollars in thousands)
First fiscal quarter	2,116	$ 24.10	$ 50,996
Second fiscal quarter	1,287	$ 23.31	30,004
Third fiscal quarter	968	$ 18.57	17,968
Total common stock repurchases	4,371	$ 22.64	$ 98,968

Dividends - The Company declared and paid dividends per share during fiscal year 2018 as follows:

	DIVIDENDS PER SHARE	AMOUNT (dollars in thousands)
First fiscal quarter	$ 0.09	$ 8,371
Second fiscal quarter	0.09	8,363
Third fiscal quarter	0.09	8,344
Total cash dividends declared and paid	$ 0.27	$ 25,078

In October 2018, the Board declared a quarterly cash dividend of $0.09 per share, payable on November 21, 2018, to shareholders of record at the close of business on November 14, 2018.

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

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Foreign currency translation adjustment	$ (144,199)	$ (98,573)
Unrealized gain (loss) on derivatives, net of tax	923	(626)
Accumulated other comprehensive loss	$ (143,276)	$ (99,199)

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
Foreign currency translation adjustment	$(16,591)	$ 6,415	$(45,626)	$ 17,816
Unrealized gain (loss) on derivatives, net of tax (1)	$37	$ 370	$1,221	$ (139)
Reclassification of adjustment for (gain) loss on derivatives included in Net income, net of tax (2)	(51)	492	328	1,919
Total unrealized (loss) gain on derivatives, net of tax	$(14)	$ 862	$1,549	$ 1,780
Other comprehensive (loss) income attributable to Bloomin' Brands	$(16,605)	$ 7,277	$(44,077)	$ 19,596

____

(1) Unrealized gain (loss) on derivatives is net of tax of $0.2 million for the thirteen weeks ended September 24, 2017 and $0.4 million and ($0.1) million for the thirty-nine weeks ended September 30, 2018 and September 24, 2017, respectively.

(2) Reclassifications of adjustments for losses on derivatives are net of tax. See Note 12 - Derivative Instruments and Hedging Activities for discussion of the tax impact of reclassifications.

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

12. Derivative Instruments and Hedging Activities

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 "2014 Swap Agreements"). The 2014 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 2014 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 2014 Swap Agreements, which have been designated and qualify as cash flow hedges, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates.

The following table presents the fair value and classification of the Company's 2014 Swap Agreements, as of the periods indicated:

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - asset	$ 1,144	$ —	Other current assets, net
Interest rate swaps - asset	—	67	Other assets, net
Total fair value of derivative instruments - assets (1)	$ 1,144	$ 67	
Interest rate swaps - liability (1)	$ —	$ 1,010	Accrued and other current liabilities

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

The following table summarizes the effects of the 2014 Swap Agreements on Net income for the periods indicated:

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
Interest rate swap income (expense) recognized in Interest expense, net	$ 68	$ (804)	$ (442)	$ (3,105)
Income tax (expense) benefit recognized in (Benefit) provision for income taxes	(17)	312	114	1,186
Total effects of the interest rate swaps on Net income	$ 51	$ (492)	$ (328)	$ (1,919)

On October 24, 2018 and October 25, 2018, the Company entered into variable-to-fixed interest rate swap agreements with 12 counterparties to hedge a portion of the cash flows of the Company's variable rate debt (the "2018 Swap Agreements"). The 2018 Swap Agreements have an aggregate notional amount of $550.0 million, a forward start date of May 16, 2019 (the maturity date of the 2014 Swap Agreements), and mature on November 30, 2022. Under the terms of the 2018 Swap Agreements, the Company will pay a weighted-average fixed rate of 3.04% on the notional amount and receive payments from the counterparty based on the one-month LIBOR rate.

The 2018 Swap Agreements have been designated and qualify as cash flow hedges, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. The Company estimates $0.4 million will be reclassified to interest expense during 2019 related to the 2018 Swap Agreements.

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

13. Fair Value Measurements

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

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

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

	SEPTEMBER 30, 2018			DECEMBER 31, 2017		
(dollars in thousands)	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2
Assets:						
Cash equivalents:						
Fixed income funds	$391	$391	$—	$1,830	$1,830	$—
Money market funds	16,082	16,082	—	24,656	24,656	—
Restricted cash equivalents:						
Money market funds	—	—	—	1,280	1,280	—
Other current assets, net						
Derivative instruments - interest rate swaps	1,144	—	1,144	—	—	—
Other assets, net:						
Derivative instruments - interest rate swaps	—	—	—	67	—	67
Total asset recurring fair value measurements	$17,617	$16,473	$1,144	$27,833	$27,766	$67
Liabilities:						
Accrued and other current liabilities:						
Derivative instruments - interest rate swaps	$—	$—	$—	$1,010	$—	$1,010
Total liability recurring fair value measurements	$—	$—	$—	$1,010	$—	$1,010

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

FINANCIAL INSTRUMENT	METHODS AND ASSUMPTIONS
Fixed income funds and Money market funds	Carrying value approximates fair value because maturities are less than three months.
Derivative instruments	The Company's derivative instruments include interest rate swaps. Fair value measurements are based on the contractual terms of the derivatives and use observable market-based inputs. The interest rate swaps are valued using a discounted cash flow analysis on the expected cash flows of each derivative using observable inputs including interest rate curves and credit spreads. The Company also considers its own nonperformance risk and the respective counterparty's nonperformance risk when performing fair value measurements. As of September 30, 2018 and December 31, 2017, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

Table of Contents
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, for the periods indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	
(dollars in thousands)	CARRYING VALUE (1)	TOTAL IMPAIRMENT	CARRYING VALUE (1)	TOTAL IMPAIRMENT
Assets held for sale	$2,030	$ 61	$2,080	$ 111
Property, fixtures and equipment	1,995	1,269	3,375	8,211
	$4,025	$ 1,330	$5,455	$ 8,322

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
(dollars in thousands)	CARRYING VALUE (1)	TOTAL IMPAIRMENT	CARRYING VALUE (1)	TOTAL IMPAIRMENT
Assets held for sale	$470	$ 249	$470	$ 320
Property, fixtures and equipment	13,935	13,993	15,002	14,855
	$14,405	$ 14,242	$15,472	$ 15,175

____
(1) Fair value for all assets is measured using third-party market appraisals or executed sales contracts (Level 2).

Interim Disclosures about Fair Value of Financial Instruments - The Company's non-derivative financial instruments 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 the periods indicated:

	SEPTEMBER 30, 2018			DECEMBER 31, 2017		
		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	$481,250	$483,055	$ —	$500,000	$502,500	$ —
Revolving credit facility	$650,000	$648,375	$ —	$600,000	$598,500	$ —
Other notes payable	$959	$—	$ 954	$904	$—	$ 891

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.
Other notes payable	Discounted cash flow approach with inputs that primarily include cost of debt interest rates used to determine fair value.

BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

14. Income Taxes

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	SEPTEMBER 24, 2017
(Benefit) provision for income taxes	$(3,317)	$ (3,248)	$(6,516)	$ 17,744
Effective income tax rate	(NM)	(NM)	(7.2)%	16.4 %

NM Not meaningful.

The increase in the benefit for income taxes for the thirteen weeks ended September 30, 2018 as compared to the thirteen weeks ended September 24, 2017 was primarily due to the reduction in the U.S. federal corporate tax rate from 35% to 21% as a part of the legislation enacted in December 2017 known as the Tax Cuts and Jobs Act (the "Tax Act"), lower forecasted pre-tax income in 2018 and the impact of certain favorable discrete tax items recorded in 2018, partially offset by changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters in 2017.

The effective income tax rate for the thirty-nine weeks ended September 30, 2018 decreased by 23.6 percentage points as compared to the thirty-nine weeks ended September 24, 2017. The decrease was primarily due to the reduction in the U.S. federal corporate tax rate from the Tax Act, lower actual and forecasted pre-tax income and excess tax benefits from equity-based compensation arrangements recorded in 2018, partially offset by a domestic manufacturing deduction recorded in 2017.

The Company has a blended federal and state statutory rate of approximately 26%. The effective income tax rate for the thirteen weeks ended September 30, 2018 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips and changes to the estimate of the forecasted full-year effective tax rate relative to prior quarters. The effective income tax rate for the thirty-nine weeks ended September 30, 2018 was lower than the statutory rate primarily due to the benefit of tax credits for FICA taxes on certain employees' tips and excess tax benefits from equity-based compensation arrangements.

The Tax Act - The Company has applied guidance under SEC Staff Accounting Bulletin No. 118, which allows for a measurement period up to one year after the December 22, 2017 enactment date of the Tax Act to complete the accounting requirements. As of September 30, 2018, the Company made reasonable estimates of the effects of the Tax Act but has not completed its accounting for all tax effects. Below is a summary of the provisional amounts the Company has recorded:

- A provisional $1.9 million net tax expense was recorded during 2017 related to the transition tax on accumulated foreign earnings, remeasurement of the Company's deferred tax assets and liabilities, the recording of a valuation allowance against foreign tax credit carryforwards and the write-off of certain deferred tax assets that will no longer be realized.
- In January 2018, the Company recorded a $5.6 million tax benefit for 2017 from the impact of the Tax Act on the retrospective adoption of ASU No. 2014-09.
- During the thirteen weeks ended September 30, 2018, the Company made immaterial adjustments to the initial provisional amounts in association with the filing of its 2017 federal income tax return.

The Company is continuing to gather information and additional guidance is expected from the U.S. Treasury and state taxing authorities on the application of certain provisions of the Tax Act and will continue to make and refine its calculations as additional analysis is completed. The Company’s estimates may also be affected as it gains a more thorough understanding of the tax law. These changes could be material to income tax expense. The Company expects to complete its analysis within the annual measurement period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Items considered provisional include:

Reduction of U.S. Federal Corporate Income Tax Rate - The Tax Act reduced the corporate income tax rate to 21%, effective January 1, 2018. While the Company is able to make a reasonable estimate of the impact of the reduction in the corporate rate on its deferred tax assets and liabilities, it may be affected by other analyses related to the Tax Act, including, but not limited to, its calculation of deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences.

Deemed Repatriation Transition Tax - The Deemed Repatriation Transition Tax (the "Transition Tax") is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of the Company's foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of foreign income taxes paid on such earnings. The Company is able to make a reasonable estimate of the Transition Tax and recorded a provisional amount. Due to the ability to utilize foreign tax credits in the calculation of the Transition Tax, the obligation primarily related to the estimated state impacts. However, the Company is continuing to gather additional information. Additional guidance from the U.S. Treasury and state taxing authorities on the application of certain provisions of the Tax Act is expected in the future.

Valuation Allowances - The Company must assess whether its valuation allowance analyses or deferred tax assets are affected by various aspects of the Tax Act (e.g., deemed repatriation of deferred foreign income, global intangible low-taxed income ("GILTI") inclusions and new categories of foreign tax credits). While the Company did record an additional valuation allowance against foreign tax credit carryforwards, it has recorded provisional amounts related to certain portions of the Tax Act and any corresponding determination of the need for a change in a valuation allowance is also provisional.

For tax years beginning after December 31, 2017, the Tax Act subjects a U.S. shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. As of September 30, 2018, the Company has not yet determined its accounting policy with regard to GILTI, and does not expect GILTI in 2018.

Other Tax Matters - The Company was previously under examination by tax authorities in South Korea for the 2008 to 2012 tax years. In connection with the examination, the Company was assessed and paid $6.7 million of tax obligations. During the thirteen weeks ended September 30, 2018, the Company received final confirmation of relief from double taxation through competent authority. No material modifications were made to amounts previously recorded.

15. Commitments and Contingencies

Litigation and Other Matters - The Company had $2.8 million and $4.3 million of liabilities recorded for various legal matters as of September 30, 2018 and December 31, 2017, respectively.

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

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Lease Guarantees - The Company assigned its interest, and is contingently liable, under certain real estate leases. These leases have varying terms, the latest of which expires in 2032. As of September 30, 2018, the undiscounted payments that the Company could be required to make in the event of non-payment by the primary lessees was approximately $27.8 million. The present value of these potential payments discounted at the Company's incremental borrowing rate as of September 30, 2018 was approximately $19.2 million. In the event of default, the indemnity clauses in the Company's purchase and sale agreements govern its ability to pursue and recover damages incurred. The Company believes the financial strength and operating history of the lessees' significantly reduces the risk that it will be required to make payments under these leases. Accordingly, no liability has been recorded.

16. Segment Reporting

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

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

(1) Includes franchise locations.

Segment accounting policies are the same as those described in Note 2 - Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Revenues for all segments include only transactions with customers and exclude intersegment revenues. Excluded from Income from operations for U.S. and International are certain legal and corporate costs not directly related to the performance of the segments, stock-based compensation expenses and certain bonus expenses.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)
Total revenues				
U.S.	$861,493	$ 838,809	$2,782,555	$ 2,803,278
International	103,528	116,778	330,745	343,478
Total revenues	$965,021	$ 955,587	$3,113,300	$ 3,146,756

(1)

See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

Table of Contents
BLOOMIN’ BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017 (Restated) (1)	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017 (Restated) (1)
Segment income from operations				
U.S.	$44,598	$ 30,224	$230,645	$ 213,248
International	7,776	8,394	14,052	26,757
Total segment income from operations	52,374	38,618	244,697	240,005
Unallocated corporate operating expense	(39,837)	(33,399)	(120,865)	(116,610)
Total income from operations	12,537	5,219	123,832	123,395
Loss on extinguishment and modification of debt	—	—	—	(260)
Other (expense) income, net	(1)	7,531	(6)	14,761
Interest expense, net	(11,600)	(10,705)	(33,229)	(29,389)
Income before (benefit) provision for income taxes	$936	$ 2,045	$90,597	$ 108,507

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

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

(dollars in thousands)	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017	THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017
Depreciation and amortization				
U.S.	$39,796	$ 37,186	$119,063	$ 111,192
International	6,420	7,036	19,866	20,550
Corporate	4,355	3,604	12,544	10,737
Total depreciation and amortization	$50,571	$ 47,826	$151,473	$ 142,479

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

(dollars in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
U.S.	$ 1,121,331	$ 1,164,322
International		
Brazil	108,447	126,341
Other	18,649	18,012
Total assets	$ 1,248,427	$ 1,308,675

Table of Contents
BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
(dollars in thousands)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)	SEPTEMBER 30, 2018	SEPTEMBER 24, 2017 (Restated) (1)
U.S.	$861,493	$ 838,809	$2,782,555	$ 2,803,278
International				
Brazil	88,178	108,503	284,376	308,384
Other	15,350	8,275	46,369	35,094
Total revenue	$965,021	$ 955,587	$3,113,300	$ 3,146,756

(1) See Note 1 - Description of the Business and Basis of Presentation for details of the impact of implementing ASU No. 2014-09.

Table of Contents
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 "wou their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

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

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

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

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

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

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

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

(vii) 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;

(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, including cyber security threats, 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) Our ability to preserve and grow the reputation and value of our brands, particularly in light of changes in consumer engagement with social media platforms;

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

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

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

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