

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

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

FORM 10-Q  
(Mark  
One)

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

For the quarterly period ended September 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

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

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

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

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BLOOMIN' BRANDS, INC.

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For the Quarterly Period Ended September 30, 2018

(Unaudited)

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BLOOMIN' BRANDS, INC.

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

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

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
<b>ASSETS</b>		
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
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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.

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BLOOMIN' BRANDS, INC.

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

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED 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

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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.

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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		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	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

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## BLOOMIN' BRANDS, INC.

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

	BLOOMIN' BRANDS, INC.			ACCUMULATED			TOTAL
	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	
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.

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BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 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	)

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BLOOMIN' BRANDS, INC.

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

	THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018 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.

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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.



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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	2014-09	AS	AS	2014-09	AS
	REPORTED	IMPACT	RESTATED	REPORTED	IMPACT	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	2014-09	AS
	REPORTED	IMPACT	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.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

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.



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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:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
	2017		2017	
(dollars in thousands)	(Restated) (1)		(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:

	THIRTEEN WEEKS ENDED SEPTEMBER 30, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2018	
(dollars in thousands)	RESTAURANT SALES		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

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2017		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017	
	RESTAURANT SALES		RESTAURANT SALES	
	FRANCHISE REVENUE		FRANCHISE REVENUE	
(dollars in thousands)	(Restated) (2)	(Restated) (2)	(Restated) (2)	(Restated) (2)
U.S.				
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.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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, DECEMBER 31,  
2018                      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:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(dollars in thousands)	2018	2017	2018	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:

	THIRTEEN WEEKS ENDED SEPTEMBER 24, 2018		THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2018	
(dollars in thousands)	2018	2017	2018	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.



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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## 3. Impairments and Exit Costs

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

	THIRTEEN WEEKS ENDED SEPTEMBER 24,		THIRTY-NINE WEEKS ENDED SEPTEMBER 24,	
	2018	2017	2018	2017
(dollars in thousands)				
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: