Bloomin' Brands, Inc.
Form 10-Q
November 04, 2014

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 28, 2014
	or
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from ______ to ______

Commission File Number: 001-35625

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company 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, 2014, 125,649,008 shares of common stock of the registrant were outstanding.

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For the Quarterly Period Ended September 28, 2014
(Unaudited)

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$144,671	$ 209,871
Current portion of restricted cash and cash equivalents	4,542	3,364
Inventories	64,748	80,613
Deferred income tax assets	70,137	70,802
Assets held for sale	26,713	1,034
Other current assets, net	140,648	117,712
Total current assets	451,459	483,396
Restricted cash	26,265	25,055
Property, fixtures and equipment, net	1,640,198	1,633,263
Goodwill	359,167	352,118
Intangible assets, net	600,132	617,133
Deferred income tax assets	3,341	2,392
Other assets, net	153,750	165,119
Total assets	$3,234,312	$ 3,278,476

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

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 200,268	$ 164,619
Accrued and other current liabilities	206,242	197,114
Current portion of partner deposits and accrued partner obligations	10,670	12,548
Unearned revenue	226,914	359,443
Current portion of long-term debt	40,751	13,546
Total current liabilities	684,845	747,270
Partner deposits and accrued partner obligations	71,347	78,116
Deferred rent	118,299	105,963
Deferred income tax liabilities	142,548	150,051
Long-term debt, net	1,372,341	1,405,597
Other long-term liabilities, net	250,495	286,786
Total liabilities	2,639,875	2,773,783
Commitments and contingencies (Note 15)		
Mezzanine Equity		
Redeemable noncontrolling interests	24,525	21,984
Stockholders' Equity		
Bloomin' Brands Stockholders' Equity		
Preferred stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding at September 28, 2014 and December 31, 2013	—	—
Common stock, $0.01 par value, 475,000,000 shares authorized; 125,629,011 and 124,784,124 shares issued and outstanding at September 28, 2014 and December 31, 2013, respectively	1,256	1,248
Additional paid-in capital	1,076,847	1,068,705
Accumulated deficit	(497,342)	(565,154)
Accumulated other comprehensive loss	(15,935)	(26,418)
Total Bloomin' Brands stockholders' equity	564,826	478,381
Noncontrolling interests	5,086	4,328
Total stockholders' equity	569,912	482,709
Total liabilities, mezzanine equity and stockholders' equity	$ 3,234,312	$ 3,278,476

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

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

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Revenues				
Restaurant sales	$1,059,217	$957,507	$3,314,179	$3,047,854
Other revenues	6,237	10,062	20,046	30,821
Total revenues	1,065,454	967,569	3,334,225	3,078,675
Costs and expenses				
Cost of sales	348,315	317,589	1,080,785	993,031
Labor and other related	295,532	274,125	909,422	858,020
Other restaurant operating	269,480	246,240	791,277	717,489
Depreciation and amortization	48,750	40,135	143,542	121,220
General and administrative	75,417	61,822	221,733	199,407
Provision for impaired assets and restaurant closings	29,081	121	36,170	2,706
Income from operations of unconsolidated affiliates	—	(1,973)	—	(7,454)
Total costs and expenses	1,066,575	938,059	3,182,929	2,884,419
(Loss) income from operations	(1,121)	29,510	151,296	194,256
Loss on extinguishment and modification of debt	—	—	(11,092)	(14,586)
Other income (expense), net	18	223	171	(127)
Interest expense, net	(13,837)	(17,690)	(45,544)	(56,585)
(Loss) income before (benefit) provision for income taxes	(14,940)	12,043	94,831	122,958
(Benefit) provision for income taxes	(4,110)	(91)	22,839	(30,696)
Net (loss) income	(10,830)	12,134	71,992	153,654
Less: net income attributable to noncontrolling interests	613	840	3,311	4,269
Net (loss) income attributable to Bloomin' Brands	$(11,443)	$11,294	$68,681	$149,385
Net (loss) income	$(10,830)	$12,134	$71,992	$153,654
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(2,754)	10,697	10,969	(1,979)
Unrealized losses on derivatives, net of tax	(486)	—	(486)	—
Comprehensive (loss) income	(14,070)	22,831	82,475	151,675
Less: comprehensive income attributable to noncontrolling interests	613	840	3,311	4,269
Comprehensive (loss) income attributable to Bloomin' Brands	$(14,683)	$21,991	$79,164	$147,406

(Loss) earnings per share:				
Basic	$(0.09)	$0.09	$0.55	$1.22
Diluted	$(0.09)	$0.09	$0.54	$1.16
Weighted average common shares outstanding:				
Basic	125,289	123,747	125,023	122,624
Diluted	125,289	129,439	128,148	128,464

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

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, UNAUDITED)

	BLOOMIN' BRANDS, INC. COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
Balance, December 31, 2013	124,784	$1,248	$ 1,068,705	$(565,154)	$ (26,418)	$4,328	$482,709
Net income	—	—	—	68,681	—	2,853	71,534
Other comprehensive income, net of tax	—	—	—	—	10,483	—	10,483
Stock-based compensation	—	—	12,987	—	—	—	12,987
Excess tax benefit on stock-based compensation	—	—	1,067	—	—	—	1,067
Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes	845	8	6,643	(869)	—	—	5,782
Purchase of limited partnership interests, net of tax of $6,519	—	—	(11,928)	—	—	1,236	(10,692)
Transfer to redeemable noncontrolling interest	—	—	(627)	—	—	—	(627)
Distributions to noncontrolling interests	—	—	—	—	—	(3,331)	(3,331)
Balance, September 28, 2014	125,629	$1,256	$ 1,076,847	$(497,342)	$ (15,935)	$5,086	$569,912

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, UNAUDITED)

	BLOOMIN' BRANDS, INC. COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON-CONTROLLING INTERESTS	TOTAL
Balance, December 31, 2012	121,148	$ 1,211	$ 1,000,963	$ (773,085)	$ (14,801)	$ 5,917	$ 220,205
Net income	—	—	—	149,385	—	4,269	153,654
Other comprehensive income, net of tax	—	—	—	—	(1,979)	—	(1,979)
Release of valuation allowance related to purchases of limited partnerships and joint venture interests	—	—	15,669	—	—	—	15,669
Stock-based compensation	—		10,841	—	—	—	10,841
Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes	3,139	32	24,631	(370)	—	—	24,293
Repayments of notes receivable due from stockholders	—	—	5,829	—	—	—	5,829
Distributions to noncontrolling interests	—	—	—	—	—	(5,799)	(5,799)
Balance, September 30, 2013	124,287	$ 1,243	$ 1,057,933	$ (624,070)	$ (16,780)	$ 4,387	$ 422,713

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Cash flows provided by operating activities:		
Net income	$71,992	$153,654
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	143,542	121,220
Amortization of deferred financing fees	2,378	2,673
Amortization of capitalized gift card sales commissions	20,144	17,209
Provision for impaired assets and restaurant closings	36,170	2,706
Accretion on debt discounts	1,589	1,837
Stock-based and other non-cash compensation expense	14,546	16,584
Income from operations of unconsolidated affiliates	—	(7,454)
Deferred income tax benefit	(1,687)	(56,146)
Loss on disposal of property, fixtures and equipment	1,548	321
Gain on life insurance and restricted cash investments	(1,305)	(3,464)
Loss on extinguishment and modification of debt	11,092	14,586
Recognition of deferred gain on sale-leaseback transaction	(1,605)	(1,600)
Excess tax benefits from stock-based compensation	(1,067)	—
Change in assets and liabilities:		
Decrease in inventories	14,707	7,370
Increase in other current assets	(34,489)	(15,881)
Decrease (increase) in other assets	6,141	(3,083)
Decrease in accounts payable and accrued and other current liabilities	(2,059)	(13,450)
Increase in deferred rent	14,969	17,708
Decrease in unearned revenue	(134,545)	(127,330)
Decrease in other long-term liabilities	(2,513)	(787)
Net cash provided by operating activities	159,548	126,673
Cash flows used in investing activities:		
Purchases of life insurance policies	(1,682)	(760)
Proceeds from sale of life insurance policies	627	1,071
Proceeds from disposal of property, fixtures and equipment	4,070	3,561
Acquisition of business, net of cash acquired	(3,063)	—
Capital expenditures	(174,432)	(166,154)
Decrease in restricted cash	19,612	19,280
Increase in restricted cash	(21,150)	(18,470)
Net cash used in investing activities	$(176,018)	$(161,472)

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS, UNAUDITED)

	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Cash flows used in financing activities:		
Proceeds from issuance of senior secured Term loan A	$297,088	$—
Extinguishment and modification of senior secured term loan	(700,000)	—
Repayments of long-term debt	(25,159)	(37,401)
Proceeds from borrowings on revolving credit facilities	474,500	—
Repayments of borrowings on revolving credit facilities	(59,500)	—
Financing fees	(4,492)	(12,519)
Proceeds from the exercise of stock options	7,042	24,681
Distributions to noncontrolling interests	(3,331)	(5,799)
Purchase of limited partnership interests	(17,211)	—
Repayments of partner deposits and accrued partner obligations	(17,603)	(17,426)
Repayments of notes receivable due from stockholders	—	5,829
Repurchase of common stock	(869)	(370)
Excess tax benefits from stock-based compensation	1,067	—
Tax withholding on performance-based share units	(400)	—
Net cash used in financing activities	(48,868)	(43,005)
Effect of exchange rate changes on cash and cash equivalents	138	(228)
Net decrease in cash and cash equivalents	(65,200)	(78,032)
Cash and cash equivalents at the beginning of the period	209,871	261,690
Cash and cash equivalents at the end of the period	$144,671	$183,658
Supplemental disclosures of cash flow information:		
Cash paid for interest	$43,369	$54,416
Cash paid for income taxes, net of refunds	43,193	17,861
Supplemental disclosures of non-cash investing and financing activities:		
Conversion of partner deposits and accrued partner obligations to notes payable	$503	$1,051
Acquisition of property, fixtures and equipment through accounts payable or capital lease liabilities	11,174	13,187
Contribution receivable from noncontrolling interest	1,456	—
Deferred tax effect of purchase of noncontrolling interests	6,519	—
Release of valuation allowance through additional paid-in capital related to purchases of limited partnerships and joint venture interests	—	15,669

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

Bloomin' Brands, Inc. ("Bloomin' Brands" or the "Company") was formed by an investor group comprised of funds advised by Bain Capital Partners, LLC and Catterton Management Company, LLC, Chris T. Sullivan, Robert D. Basham, J. Timothy Gannon and certain members of management. Bloomin' Brands is a holding company and conducts its operations through OSI Restaurant Partners, LLC ("OSI"), the Company's primary operating entity, and New Private Restaurant Properties, LLC, an indirect wholly-owned subsidiary of the Company that leases certain Company-owned restaurant properties to a subsidiary of OSI.

The Company owns and operates casual, polished casual and fine dining restaurants primarily in the United States. The Company's restaurant portfolio has five concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Additional Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants in which the Company has no direct investment are operated under franchise agreements.

The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Change in Fiscal Year End - On January 3, 2014, the Board of Directors approved a change in the Company's fiscal year end from a calendar year ending on December 31 to a 52-53 week year ending on the last Sunday in December, effective beginning with fiscal year 2014. The Company believes the change in fiscal year provides numerous benefits, including aligning the Company's reporting periods to be more consistent with peer restaurant companies and improving comparability between periods by removing the effect of trading day on Restaurant sales and operating margins. The Company will continue reporting its Brazil operations on a calendar-based one-month lag. All other international operations will be reported on a 52-53 week reporting period contemporaneously with the domestic operations.

The Company made the fiscal year change on a prospective basis and has not adjusted operating results for prior periods. The change impacts the prior year comparability of the Company's fiscal quarters in 2014 and will result in shifts in the quarterly periods, which will have an impact on quarterly financial results. The thirteen weeks ended September 28, 2014 included one less operating day than the comparable prior year period and the Company estimates that the associated impact was a reduction of approximately $6.9 million and $1.4 million of Restaurant sales and Net (loss) income attributable to Bloomin' Brands, respectively. The thirty-nine weeks ended September 28, 2014, included two less operating days than the comparable prior year period and the Company estimates that the associated impact was a reduction of approximately $14.4 million and $2.9 million of Restaurant sales and Net (loss) income attributable to Bloomin' Brands, respectively.

Reclassifications - The Company has reclassified certain items in the accompanying consolidated financial statements for prior periods to be comparable with the classification for the thirteen and thirty-nine weeks ended September 28, 2014. These reclassifications had no effect on previously reported net income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

2. Acquisitions

Acquisition of Controlling Interest in the Company's Brazil Operations - Prior to November 1, 2013, the Company held a 50% ownership interest in PGS Consultoria e Serviços Ltda. (the "Brazilian Joint Venture") through a joint venture arrangement with PGS Participações Ltda, which operated Outback Steakhouse restaurants in Brazil. Effective November 1, 2013, the Company completed the acquisition of a controlling interest in the Brazilian Joint Venture, resulting in the consolidation of this entity.

The Company accounted for the Brazilian Joint Venture acquisition as a business combination in the fourth quarter of 2013. The following table summarizes the measurement period adjustments made to amounts initially recorded. The measurement period adjustments did not have a significant impact to the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income or Consolidated Statements of Cash Flows.

(in thousands)	AMOUNTS PREVIOUSLY RECORDED AT NOVEMBER 1, 2013	MEASUREMENT PERIOD ADJUSTMENTS	ADJUSTED ACQUISITION DATE AMOUNTS
Other current assets, net	$14,984	$(676)	$14,308
Property, fixtures and equipment	$81,038	$(923)	$80,115
Goodwill	$135,701	$6,241	$141,942
Other assets, net	$4,535	$(64)	$4,471
Accrued and other current liabilities	$(17,486)	$(2,946)	$(20,432)
Deferred income taxes	$(26,881)	$565	$(26,316)
Other long-term liabilities, net	$(11,390)	$(2,197)	$(13,587)

Prior to the acquisition, the Company accounted for the Brazilian Joint Venture under the equity method of accounting. The Company's share of earnings of $2.0 million and $7.5 million for the three and nine months ended September 30, 2013, respectively, was recorded in Income from operations of unconsolidated affiliates in the Company's Consolidated Statement of Operations and Comprehensive Income. The Brazilian Joint Venture's results of operations for the thirteen and thirty-nine weeks ended September 28, 2014 are reflected in the respective line items in the Company's Consolidated Statement of Operations and Comprehensive (Loss) Income.

Acquisition of Limited Partnership Interests - Effective January 1, 2014, the Company purchased the remaining partnership interests in certain of the Company's limited partnerships that either owned or had a contractual right to varying percentages of cash flows in 37 Bonefish Grill restaurants for an aggregate purchase price of $17.2 million. These transactions resulted in a reduction of approximately $11.9 million in Additional paid-in capital in the Company's Consolidated Balance Sheet at September 28, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The following table sets forth the effect of these transactions on stockholders' equity attributable to Bloomin' Brands (in thousands):

	NET INCOME ATTRIBUTABLE TO BLOOMIN' BRANDS AND TRANSFERS TO NONCONTROLLING INTERESTS			
	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Net (loss) income attributable to Bloomin' Brands	$(11,443)	$11,294	$68,681	$149,385
Transfers to noncontrolling interests:				
Net decrease in Bloomin' Brands additional paid-in capital for purchase of limited partnership interests	—	—	(11,928)	—
Change from net (loss) income attributable to Bloomin' Brands and transfers to noncontrolling interests	$(11,443)	$11,294	$56,753	$149,385

Acquisition of Franchised Restaurants - Effective March 1, 2014, the Company acquired two Bonefish Grill restaurants from a franchisee for a purchase price of approximately $3.2 million, including customary escrow amounts. The Consolidated Statement of Operations and Comprehensive (Loss) Income includes the results of operations for these restaurants from the date of acquisition. The pro forma impact of the acquisition on prior periods is not presented as the impact was not material to reported results.

The Company allocated the purchase price to the assets acquired less the liabilities assumed based on their estimated fair value on the date of acquisition with the remaining $2.5 million of the purchase price allocated to goodwill. All goodwill recognized is expected to be deductible for tax purposes.

3. Impairments and Disposals

The components of Provision for impaired assets and restaurant closings are as follows (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Impairment losses	$28,734	$—	$29,216	$1,006
Restaurant closure expenses	347	121	6,954	1,700
Provision for impaired assets and restaurant closings	$29,081	$121	$36,170	$2,706

Restaurant Closure Initiatives - In the fourth quarter of 2013, the Company completed an assessment of its domestic restaurant base and decided to close 22 underperforming domestic locations (the “Domestic Restaurant Closure Initiative”). Approximately $4.9 million of pre-tax restaurant closing charges were incurred during the thirty-nine weeks ended September 28, 2014, in connection with the Domestic Restaurant Closure Initiative.

The Company decided to close 36 underperforming international locations, primarily in South Korea (the “International Restaurant Closure Initiative”). The Company expects to substantially complete these international restaurant closings during the fourth quarter of 2014 and the first quarter of 2015. In connection with the International Restaurant Closure Initiative, the Company incurred pre-tax asset impairments of approximately $11.6 million during the thirteen and thirty-nine weeks ended September 28, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The Company expects to incur additional charges of approximately $19.0 million to $29.0 million, including costs associated with lease obligations, employee terminations and other closure related obligations, primarily through the first quarter of 2015. Following is a summary of estimated pre-tax expense by type:

	ESTIMATED EXPENSE (IN MILLIONS) (1)		
Lease related liabilities, net of subleases	$12.0	to	$20.0
Employee severance	$6.0	to	$7.0
Other obligations	$1.0	to	$2.0

(1) Total future cash expenditures of $19.0 million to $29.0 million, primarily related to lease liabilities, are expected to occur through February 2024.

Following is a summary of restaurant closure initiative expenses recognized in the Consolidated Statement of Operations and Comprehensive (Loss) Income during the thirteen and thirty-nine weeks ended September 28, 2014 (in thousands):

DESCRIPTION	LOCATION OF CHARGE IN THE CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014
Impairment losses	Provision for impaired assets and restaurant closings	$11,573	$ 11,573
Restaurant closure expenses	Provision for impaired assets and restaurant closings	—	5,972
Severance and other liabilities	General and administrative	—	1,035
Deferred rent liability write-off	Other restaurant operating	—	(2,078)
		$11,573	$ 16,502

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Roy's - In September 2014, the Company reclassified the assets and liabilities of Roy's to held for sale as it plans to exit the Roy's business within a one-year period. Liabilities held for sale are included with Accrued and other current liabilities in the Consolidated Balance Sheet.

Following are the assets and liabilities of Roy's held for sale at September 28, 2014 (in thousands):

	SEPTEMBER 28, 2014
Assets	
Current assets	$2,777
Property, fixtures and equipment, net	16,078
Intangible assets, net	5,820
Other non-current assets	638
Total assets (1)	$25,313
Liabilities	
Current liabilities	$3,069
Non-current liabilities	3,097
Total liabilities	$6,166

(1) In connection with the decision to sell Roy's, the Company recorded pre-tax impairment charges of $6.0 million for Assets held for sale during the thirteen and thirty-nine weeks ended September 28, 2014. This impairment charge is recorded in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive (Loss) Income and reduces the amount of Assets held for sale.

Following are components of Roy's included in the Consolidated Statements of Operations and Comprehensive (Loss) Income for the following periods (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Restaurant sales	$15,717	$17,020	$52,117	$56,294
Loss before (benefit) provision for income taxes (1)	$(6,962)	$(857)	$(6,393)	$(110)

(1) Includes impairment charges of $6.0 million for Assets held for sale during the thirteen and thirty-nine weeks ended September 28, 2014.

Other Disposals - During the third quarter of 2014, the Company decided to sell both of its corporate airplanes. In connection with this decision, the Company recognized pre-tax asset impairment charges of $10.6 million for the thirteen and thirty-nine weeks ended September 28, 2014. The Company anticipates the final sale and disposal of the airplanes will be completed within a one-year period and has recorded the remaining $5.5 million fair value for the airplanes to Assets held for sale. Impairment charges are recorded in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

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4. (Loss) Earnings Per Share

The computation of basic and diluted (loss) earnings per share is as follows (in thousands, except per share amounts):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Net (loss) income attributable to Bloomin’ Brands	$(11,443)	$11,294	$68,681	$149,385
Basic weighted average common shares outstanding	125,289	123,747	125,023	122,624
Effect of diluted securities:				
Stock options	—	5,500	3,055	5,303
Nonvested restricted stock and restricted stock units	—	192	70	537
Diluted weighted average common shares outstanding	125,289	129,439	128,148	128,464
Basic (loss) earnings per share	$(0.09)	$0.09	$0.55	$1.22
Diluted (loss) earnings per share	$(0.09)	$0.09	$0.54	$1.16

Potential common shares are excluded from the computation of diluted (loss) earnings per share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company’s common stock for the period. Following are the weighted-average potential common shares excluded from diluted (loss) earnings per share as their effect is anti-dilutive (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Stock options	5,519	1,328	3,385	1,557
Nonvested restricted stock and restricted stock units	359	—	251	—

5. Stock-based Compensation

The Company’s 2012 Incentive Award Plan permits the grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards to Company management and other key employees. The Company accounts for its stock-based employee compensation using a fair value-based method of accounting. The Company recognized stock-based compensation expense as follows (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Stock options	$3,611	$2,444	$9,177	$8,750
Restricted stock and restricted stock units	863	508	2,601	1,384
Performance-based share units	398	218	933	483
	$4,872	$3,170	$12,711	$10,617

During the thirty-nine weeks ended September 28, 2014, the Company made grants to its employees of 1.3 million stock options, 0.3 million time-based restricted stock units and 0.1 million performance-based share units. The weighted-average grant date fair value per stock option was $11.88.

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period at September 28, 2014:

	UNRECOGNIZED COMPENSATION EXPENSE (in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	$ 25,573	2.9
Restricted stock and restricted stock units	$ 10,733	2.8
Performance-based share units	$ 506	0.4

6. Other Current Assets, Net

Other current assets, net, consisted of the following (in thousands):

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
Prepaid expenses	$ 45,095	$ 27,652
Accounts receivable - vendors, net	31,127	23,218
Accounts receivable - franchisees, net	1,713	1,394
Accounts receivable - other, net	26,837	33,086
Other current assets, net	35,876	32,362
	$ 140,648	$ 117,712

7. Goodwill and Intangible Assets, Net

Goodwill - The following table presents a rollforward of goodwill for the thirty-nine weeks ended September 28, 2014 (in thousands):

Balance at December 31, 2013	$352,118
Acquisitions (1)	2,461
Translation adjustments	4,588
Balance at September 28, 2014	$359,167

(1) See Note 2 - Acquisitions for further information.

The Company performed an annual assessment of goodwill and other indefinite-lived intangible assets during the second quarters of 2014 and 2013. In connection with the annual assessment, no goodwill or indefinite-lived intangible asset impairments were recorded in the thirty-nine weeks ended September 28, 2014 and nine months ended September 30, 2013.

Intangible Assets, net - Effective June 1, 2014, OSI and Carrabba's Italian Grill, LLC ("Carrabba's"), a wholly owned subsidiary of OSI, entered into a Third Amendment to the Royalty Agreement with the founders of Carrabba's Italian Grill and their affiliated entities (collectively, the "Carrabba's Founders"). The amendment provides that no continuing royalty fee will be paid to the Carrabba’s Founders for Carrabba’s restaurants located outside the United States. Each Carrabba’s restaurant located outside the United States will pay a one-time lump sum royalty fee, which varies depending on the size of the restaurant. The one-time fee is $100,000 for restaurants 5,000 square feet or larger, $75,000 for restaurants 3,500 square feet or larger but less than 5,000 square feet and $50,000 for restaurants less than 3,500 square feet. In connection with the amendment, the Company made a non-refundable payment of $1.0 million to the Carrabba's Founders for the first ten restaurants of 5,000 square feet or more to be located outside the United States.

In addition, new Carrabba's restaurants in the U.S. that first open on or after June 1, 2014 will pay a fixed royalty of 0.5 percent on sales occurring prior to 4 pm local time Monday through Saturday. Existing Carrabba's restaurants in the U.S. that begin serving weekday lunch on or after June 1, 2014 will pay a fixed royalty of 0.5 percent on sales occurring prior to 4 pm local time Monday through Friday. In each case, these sales will be excluded in calculating the volume based royalty percentage on sales after 4 pm.

The payment to the Carrabba's Founders was recorded as a trade name in Intangible Assets, net, in the Consolidated Balance Sheet at September 28, 2014.

8. Long-term Debt, Net

Following is a summary of outstanding long-term debt, (in thousands, except interest rate):

	SEPTEMBER 28, 2014		DECEMBER 31, 2013	
	OUTSTANDING BALANCE	INTEREST RATE	OUTSTANDING BALANCE	INTEREST RATE
Senior Secured Credit Facility:				
Term loan A	$300,000	2.16%	$—	—
Term loan B	225,000	3.50%	935,000	3.50%
Revolving credit facility (1)	415,000	2.16%	—	—
Total senior secured credit facility	940,000		935,000	
2012 CMBS loan:				
Mortgage loan (2)	301,859	4.07%	311,644	4.02%
First mezzanine loan	85,392	9.00%	86,131	9.00%
Second mezzanine loan	86,240	11.25%	86,704	11.25%
Total 2012 CMBS loan	473,491		484,479	
Other notes payable	3,066	0.52% to 7.00%	6,186	0.58% to 7.00%
Sale-leaseback obligations	2,375		2,375	
Capital lease obligations	722		1,255	
	$1,419,654		$1,429,295	
Less: current portion of long-term debt	(40,751)		(13,546)	
Less: unamortized debt discount	(6,562)		(10,152)	
Long-term debt, net	$1,372,341		$1,405,597	

(1) Includes $15.0 million of borrowings on the swing line loan sub-facilities at an interest rate of 4.25%, which was repaid subsequent to September 28, 2014. In October 2014, the Company drew an additional $10.0 million on the revolving credit facility.
(2) Represents the weighted-average interest rate for the respective period.

Bloomin' Brands, Inc. is a holding company and conducts its operations through its subsidiaries, certain of which have incurred indebtedness as described below.

Credit Agreement - On October 26, 2012, OSI entered into a credit agreement ("Credit Agreement") with a syndicate of institutional lenders and financial institutions for a senior secured credit facility (the "Senior Secured Credit Facility") of $1.225 billion. The Credit Agreement was comprised of a $1.0 billion Term loan B and a $225.0 million revolving credit facility, including letter of credit and swing line loan sub-facilities. The Term loan B was issued with an original issue discount of $10.0 million.

OSI amended the Credit Agreement in April 2013 in connection with a repricing of the Term loan B. In January 2014, the Credit Agreement was amended to align to the change in the Company's fiscal year.

Amended Credit Agreement - OSI completed a refinancing of its Senior Secured Credit Facility and entered into an amendment to the Credit Agreement ("Amended Credit Agreement") on May 16, 2014. The Amended Credit Agreement provides for senior secured financing of up to $1.125 billion, consisting of a new $300.0 million Term loan A, a $225.0 million Term loan B and a $600.0 million revolving credit facility, including letter of credit and swing line loan sub-facilities. The Term loan A and revolving credit facility mature May 16, 2019, and the Term loan B matures on October 26, 2019. The Term loan A was issued with a discount of $2.9 million.

At closing, $400.0 million was drawn under the revolving credit facility. The proceeds of the Term loan A and the loans made at closing under the revolving credit facility were used to pay down a portion of OSI's Term loan B under the Credit Agreement. The total indebtedness of the Company remained unchanged as a result of the refinancing.

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

	BASE RATE ELECTION	EUROCURRENCY RATE ELECTION
Term loan A and revolving credit facility	75 to 125 basis points over Base Rate	175 to 225 basis points over the Eurocurrency Rate
Term loan B	150 basis points over Base Rate	250 basis points over the Eurocurrency Rate

Since the effective date of the Amended Credit Agreement, the Company has elected the Eurocurrency rate as its primary interest rate. Under the terms of the Amended Credit Agreement, the Term loan B interest rate determined using the Base Rate and Eurocurrency rate has minimum rates of 2.00% and 1.00%, respectively.

Fees on letters of credit and the daily unused availability under the revolving credit facility are 2.13% and 0.30%, respectively. At September 28, 2014, $29.6 million of the revolving credit facility was committed for the issuance of letters of credit and not available for borrowing.

Substantially all of the assets of the Company's domestic OSI subsidiaries collateralize the Senior Secured Credit Facility.

Commercial Mortgage-Backed Securities Loan - Effective March 27, 2012, New Private Restaurant Properties, LLC and two of the Company's other indirect wholly-owned subsidiaries (collectively, "New PRP") entered into a commercial mortgage-backed securities loan (the “2012 CMBS Loan”) with German American Capital Corporation and Bank of America, N.A. The 2012 CMBS Loan totaled $500.0 million at origination and was originally comprised of a first mortgage loan in the amount of $324.8 million, collateralized by 261 of the Company’s properties, and two mezzanine loans totaling $175.2 million. The loans have a maturity date of April 10, 2017.

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The first mortgage loan has five fixed-rate components and a floating rate component. The fixed-rate components bear interest at rates ranging from 2.37% to 6.81% per annum. The floating rate component bears interest at a rate per annum equal to the 30-day London Interbank Offered Rate ("30-day LIBOR") (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.00% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum.

Debt Covenants and Other Restrictions - Borrowings under the Company's debt agreements are subject to various covenants that limit the Company's ability to: incur additional indebtedness; make significant payments; sell assets; pay dividends and other restricted payments; acquire certain assets; effect mergers and similar transactions; and effect certain other transactions with affiliates. The Amended Credit Agreement also has a financial covenant to maintain a specified quarterly Total Net Leverage Ratio ("TNLR"). TNLR is the ratio of Consolidated Total Debt (Current portion of long-term debt and Long-term debt, net) to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization and certain other adjustments). The TNLR may not exceed a level set at 5.00 to 1.00 through fiscal 2017, with a step down to a maximum level of 4.75:1.00 in fiscal 2018 and thereafter.

The 2012 CMBS Loan also requires the Company to maintain an interest rate cap ("Rate Cap") to limit the volatility of the floating rate component of the first mortgage loan within the 2012 CMBS loan. See Note 12 - Derivative Instruments and Hedging Activities for further information.

Loss on Extinguishment and Modification of Debt - In connection with the second quarter refinancing of the Senior Secured Credit Facility, the Company recognized loss on extinguishment and modification of debt of $11.1 million for the thirty-nine weeks ended September 28, 2014. The loss was comprised of the write-off of $5.5 million of deferred financing fees, the write-off of $4.9 million of unamortized debt discount and a prepayment penalty of $0.7 million.

Deferred financing fees - The Company deferred $3.8 million of financing costs incurred to complete the refinancing of the Senior Secured Credit Facility, all of which was capitalized during the second quarter of 2014. These deferred financing costs are included in the line item, Other assets, net in the Consolidated Balance Sheets.

Maturities - Following is a summary of principal payments of the Company's total consolidated debt outstanding at September 28, 2014 (in thousands):

	SEPTEMBER 28, 2014
Year 1 (1)	$ 42,385
Year 2	27,156
Year 3	475,212
Year 4	22,526
Year 5	625,000
Thereafter	227,375
Total	$ 1,419,654

(1) Excludes unamortized discount of $1.6 million.

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

SCHEDULED QUARTERLY PAYMENT PERIOD	QUARTERLY PAYMENT
September 30, 2014 through June 30, 2016	$3,750
September 30, 2016 through June 30, 2018	$5,625
September 30, 2018 through March 30, 2019	$7,500

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Since the inception of the Term loan B, OSI has made sufficient voluntary prepayments in excess of the remaining required amortization payments and, as a result, will not be required to make any further required amortization payments until the remaining balance of the loan reaches maturity in October 2019.

The Amended Credit Agreement contains mandatory prepayment requirements for Term loan A and Term loan B. Beginning with the fiscal year ended December 28, 2014, the Company is required to prepay outstanding amounts under its term loans with 50% of its annual excess cash flow, as defined in the Amended Credit Agreement. The amount of outstanding term loans required to be prepaid in accordance with the debt covenants may vary based on the Company's leverage ratio and year-end results.

9. Other Long-term Liabilities, Net

Other long-term liabilities, net, consisted of the following (in thousands):

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
Accrued insurance liability	$ 40,580	$ 43,635
Unfavorable leases, net of accumulated amortization	51,435	54,843
PEP and Supplemental PEP obligations	94,757	109,529
Deferred gain on sale-leaseback transaction, net of accumulated amortization	35,456	36,910
Other long-term liabilities	28,267	41,869
	$ 250,495	$ 286,786

The Company maintains an endorsement split-dollar insurance policy with a death benefit of $5.0 million for one of its current executive officers. The Company is the beneficiary of the policy to the extent of premiums paid or the cash value, whichever is greater, with the remaining death benefit being paid to personal beneficiaries designated by the executive officer.

During the thirty-nine weeks ended September 28, 2014 and the nine months ended September 30, 2013, the Company terminated the split-dollar agreements with certain of its former executive officers in exchange for aggregate cash payments of $2.0 million and $4.7 million, respectively. Upon termination, the release of the death benefit and related liabilities, net of the associated cash termination payment, resulted in net gains of $1.9 million during the thirty-nine weeks ended September 28, 2014 and $4.1 million during the nine months ended September 30, 2013, respectively. The net gains were recorded in General and administrative in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

At September 28, 2014 and December 31, 2013, the Company had $1.1 million and $5.0 million, respectively, recorded in Other long-term liabilities, net in its Consolidated Balance Sheets for the outstanding obligations under the endorsement split-dollar insurance policies.

10. Redeemable Noncontrolling Interests

The Company consolidates subsidiaries in Brazil and China, each of which have noncontrolling interests that are permitted to deliver subsidiary shares in exchange for cash at a future date. Redeemable noncontrolling interests are classified in Mezzanine equity in the Company's Consolidated Balance Sheet.

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The following table presents a rollforward of Redeemable noncontrolling interests for the thirty-nine weeks ended September 28, 2014 (in thousands):

	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014
Balance, beginning of period	$21,984
Net income attributable to redeemable noncontrolling interests	458
Contribution by noncontrolling shareholders	1,456
Transfer to redeemable noncontrolling interest	627
Balance, end of period	$24,525

11. Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of tax, are as follows (in thousands):

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED LOSSES ON DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balances at December 31, 2013	$(26,418)	$—	$(26,418)
Other comprehensive income (loss)	10,969	(486)	10,483
Balances at September 28, 2014	$(15,449)	$(486)	$(15,935)

12. Derivative Instruments and Hedging Activities

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

DESIGNATED HEDGES

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

The interest rate swaps, which have been designated and qualify as a cash flow hedge, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. Fair value changes in the interest rate swaps are recognized in Accumulated Other Comprehensive Loss ("AOCL") for all effective portions. Balances in AOCL are subsequently reclassified to earnings in the same period that the hedged interest payments affect earnings. The Company estimates $1.6 million will be reclassified to interest expense over the next twelve months.

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The following table presents the fair value of the Company’s interest rate swaps as well as their classification on the Consolidated Balance Sheet (in thousands):

	SEPTEMBER 28, 2014	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - asset	$ 243	Other assets, net
Total fair value of derivative instruments - assets (1)	$ 243	

	SEPTEMBER 28, 2014	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - liability	$ 1,040	Accrued and other current liabilities
Total fair value of derivative instruments - liability (1)	$ 1,040	

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

Any ineffective portion of the change in the fair value of derivatives is recognized directly in the Statements of Consolidated Operations and Comprehensive Income. During the thirteen and thirty-nine weeks ended September 28, 2014, the Company did not recognize any gain or loss as a result of hedge ineffectiveness.

At September 28, 2014, no interest expense related to the interest rate swaps is accrued in the Consolidated Balance Sheets or recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income as the interest rate swaps are not effective until June 30, 2015.

The following table summarizes the effects of the interest rate swap on the Consolidated Statements of Operations and Comprehensive (Loss) Income for the thirteen and thirty-nine weeks ended September 28, 2014 (in thousands):

DERIVATIVES DESIGNATED AS CASH FLOW HEDGING INSTRUMENTS	AMOUNT OF (LOSS) GAIN RECOGNIZED IN OTHER COMPREHENSIVE INCOME
Interest rate swaps	$(797)
Income tax benefit	311
Net of income taxes	$(486)

The Company records its derivatives on the Consolidated Balance Sheets on a gross balance basis. The Company’s derivatives are subject to master netting arrangements. At September 28, 2014, the Company did not have more than one derivative between the same counterparties and as such, there was no netting.

By utilizing the interest rate swaps, the Company is exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, the Company enters into derivative contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. At September 28, 2014, all counterparties to the interest rate swaps had performed in accordance with their contractual obligations.

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

At September 28, 2014, the fair value of the Company’s derivatives in a net liability position, excluding any adjustment for nonperformance risk, was $0.9 million. At September 28, 2014, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at September 28, 2014, it could have been required to settle its obligations under the agreements at their termination value of $0.9 million.

NON-DESIGNATED HEDGES

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

Interest Rate Cap - The Company is required to maintain an interest Rate Cap to limit the volatility of the floating rate component of the first mortgage loan within the 2012 CMBS loan. In April 2014, the Company's Rate Cap expired. In connection with the expiration of the Rate Cap, the Company entered into a replacement rate cap ("Replacement Rate Cap"), with a notional amount of $48.7 million. Under the Replacement Rate Cap, if the 30-day LIBOR rate exceeds 7.00% per annum, the counterparty must pay to the Company such excess on the notional amount of the floating rate component. The Replacement Rate Cap expires in April 2016. Changes in the fair value of the Replacement Rate Cap were nominal for the thirteen and thirty-nine weeks ended September 28, 2014 and the three and nine months ended September 30, 2013.

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 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 presents the Company's fixed income, money market funds and derivative instruments measured at fair value on a recurring basis at September 28, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	SEPTEMBER 28, 2014			DECEMBER 31, 2013		
	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2
Assets:						
Cash equivalents:						
Fixed income funds	$6,088	$6,088	$—	$9,849	$9,849	$—
Money market funds	9,498	9,498	—	1,988	1,988	—
Restricted cash equivalents:						
Money market funds	358	358	—	68	68	—
Other assets, net:						
Derivative instruments	243	—	243	—	—	—
Total asset recurring fair value measurements	$16,187	$15,944	$243	$11,905	$11,905	$—
Liabilities:						
Accrued and other current liabilities:						

Derivative instruments	$1,040	$—	$1,040	$—	$—	$—
Total liability recurring fair value measurements	$1,040	$—	$1,040	$—	$—	$—

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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	Derivative instruments primarily relate to the interest rate swaps and interest rate cap. Fair value measurements are based on a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives and uses observable market-based inputs, including interest rate curves and credit spreads. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. At September 28, 2014, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

Fair Value Measurements on a Nonrecurring Basis - Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to property, fixtures and equipment, goodwill and other intangible assets, which are remeasured when carrying value exceeds fair value. The following tables summarize the fair value remeasurements for Assets held for sale and Property, fixtures and equipment for the thirteen and thirty-nine weeks ended September 28, 2014 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014		THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	
	CARRYING VALUE AT SEPTEMBER 28, 2014	TOTAL IMPAIRMENT	CARRYING VALUE AT SEPTEMBER 28, 2014	TOTAL IMPAIRMENT
Assets held for sale (1)	$24,773	$16,588	$24,773	$16,588
Property, fixtures and equipment (2)	1,213	12,146	4,164	12,628
	$25,986	$28,734	$28,937	$29,216

(1) Carrying value approximates fair value with all assets measured using Level 2 inputs. Refer to Note 3 - Impairments and Disposals for discussion of impairments related to corporate airplanes and Roy's.

(2) Carrying value approximates fair value with all assets measured using Level 2 inputs for the thirteen weeks ended September 28, 2014 and $3.5 million and $0.6 million measured using Level 2 and Level 3 inputs, respectively, for the thirty-nine weeks ended September 28, 2014. Refer to Note 3 - Impairments and Disposals for discussion of impairments related to restaurant closure initiatives.

The Company did not record any material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and nine months ended September 30, 2013.

The Company used a third-party market appraisal (Level 2) and discounted cash flow models (Level 3) to estimate the fair value of the long-lived assets included in the table above. Projected future cash flows, including discount rate and growth rate assumptions, are derived from current economic conditions, expectations of management and projected trends of current operating results.

Interim Disclosures about Fair Value of Financial Instruments - The Company’s non-derivative financial instruments at September 28, 2014 and December 31, 2013 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.

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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 at September 28, 2014 and December 31, 2013 aggregated by the level in the fair value hierarchy in which those measurements fall (in thousands):

	SEPTEMBER 28, 2014			DECEMBER 31, 2013		
		FAIR VALUE			FAIR VALUE	
	CARRYING VALUE	LEVEL 2	LEVEL 3	CARRYING VALUE	LEVEL 2	LEVEL 3
Senior Secured Credit Facility:						
Term loan A	$300,000	$299,250	$—	$—	$—	$—
Term loan B	225,000	223,875	—	935,000	936,169	—
Revolving credit facility	415,000	411,888	—	—	—	—
CMBS loan:						
Mortgage loan	301,859	—	312,040	311,644	—	318,787
First mezzanine loan	85,392	—	85,452	86,131	—	86,131
Second mezzanine loan	86,240	—	87,163	86,704	—	87,571
Other notes payable	3,066	—	2,922	6,186	—	5,912

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.
CMBS loan	Assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management.
Other notes payable	Discounted cash flow approach. Discounted cash flow inputs primarily include cost of debt rates which are used to derive the present value factors for the determination of fair value.

14. Taxes

Income Taxes - The effective income tax rates for the thirteen and thirty-nine weeks ended September 28, 2014 were 27.5% and 24.1%, respectively, compared to (0.8)% and (25.0)% for the three and nine months ended September 30, 2013, respectively. The increase in the effective income tax rate for the thirteen weeks ended September 28, 2014 was primarily due to a change in the blend of taxable income and tax rates across the Company's domestic and international subsidiaries.

The increase in the effective income tax rate for the thirty-nine weeks ended September 28, 2014 was primarily due to the release of the domestic valuation allowance in the second quarter of 2013 and a change in the blend of income and tax rates across the Company's domestic and international subsidiaries.

The effective income tax rates for the thirteen and thirty-nine weeks ended September 28, 2014 were lower than the blended federal and state statutory rate of 39.0% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips offset by the impact of foreign taxes on the Company's international operations. The effective income tax rates for the three and nine months ended September 30, 2013 were lower than the blended federal and state statutory rate of 39.1% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips, the release of the domestic valuation allowance, the elimination of noncontrolling interest and the impact of foreign taxes on the Company's international operations.

At September 28, 2014 and December 31, 2013, the Company had $15.9 million and $17.1 million, respectively, of unrecognized tax benefits. Additionally, the Company had $2.2 million and $2.1 million, respectively, of interest and penalties related to uncertain tax positions at September 28, 2014 and December 31, 2013. Of the total amount of unrecognized tax benefits, including accrued interest and penalties, $16.5 million and $17.2 million as of September 28, 2014 and December 31, 2013, respectively, if recognized, would impact the Company's effective income tax rate. The difference between the total amount of unrecognized tax benefits and the amount that would impact the effective income tax rate consists of items that are offset by deferred income tax assets and the federal income tax benefit of state income tax items.

The Company is currently under income tax examination by the Internal Revenue Service ("IRS") for the year ended December 31, 2011. The Company is currently open to audit under the statute of limitations for the years ended December 31, 2007 through 2013. The Company and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2001 through 2013. The Company and its subsidiaries' foreign income tax returns are open to audit under the statute of limitations for the years ended December 31, 2007 through 2013.

Payroll Taxes - The Company is currently under payroll tax examination by the IRS. In 2013, the IRS informed the Company that it proposed to issue an audit adjustment for the employer's share of FICA taxes related to cash tips allegedly received and unreported by the Company's tipped employees during calendar year 2010. The cash tips allegedly unreported by the tipped employees were based on an IRS estimate of the aggregate amount of tips directly received by tipped employees from the Company's customers.

In March 2014, the IRS issued a final audit adjustment of $5.0 million to the Company for the employer's share of FICA taxes related to cash tips unreported by the Company's employees during calendar year 2010. The Company remitted payment to the IRS in April 2014 to settle the calendar year 2010 audit adjustment.

Subsequently, the IRS indicated that the scope of the proposed adjustment would expand to include the 2011 and 2012 periods. In July 2014, the Company received a notice from the IRS regarding commencement of the 2011 payroll tax audit. At September 28, 2014, the Company had $12.0 million recorded in Accrued and other current liabilities in the Company's Consolidated Balance Sheet for the payroll tax audits. In addition, a deferred income tax benefit was recorded for the allowable income tax credits for the payroll audit. As a result of the associated income tax benefit the recognition of the liability had no impact on net income.

15. Commitments and Contingencies

On October 4, 2013, two then current employees (the "Nevada Plaintiffs") filed a purported collective action lawsuit against the Company, OSI, and two of its subsidiaries in the U.S. District Court for the District of Nevada (Cardoza, et al. v. Bloomin' Brands, Inc., et al., Case No.: 2:13-cv-01820-JAD-NJK). The complaint alleges violations of the Fair Labor Standards Act by requiring employees to work off the clock, complete on-line training without pay, and attend meetings in the restaurant without pay. The suit seeks to certify a nationwide collective action that all hourly employees in all Outback Steakhouse restaurants would be permitted to join. The suit seeks an unspecified amount in back pay for the employees that join the lawsuit, an equal amount in liquidated damages, costs, expenses, and attorney's fees. The Nevada Plaintiffs also filed a companion lawsuit in Nevada state court alleging that the Company violated the state break time rules. On October 27, 2014 the Court conditionally certified a class for notice purposes consisting of all employees that worked at a company-owned Outback Steakhouse between October 27, 2011 and October 27, 2014. After notice and discovery, the Company intends to move to decertify the class. The Company believes these lawsuits are without merit, and is vigorously defending all allegations. However, the Company is unable to predict the outcome of this case.

On November 8, 2013, three employees of the Company’s franchisee (collectively, the “California Plaintiffs”) filed a purported class action lawsuit against the Company, OSI and OS Restaurant Services, LLC, two of its subsidiaries, and T-Bird Restaurant Group, Inc. (“T-Bird”), one of its franchisees in the California Superior Court, County of Alameda. The defendants removed the matter to the U.S. District Court for the Northern District of California in December 2013

(Holly Gehl, et al. v. Bloomin' Brands, Inc., et al., Case No.: 4:13-cv-05961-KAW). The complaint alleges, among other things, violations of the California Labor Code, failure to pay overtime, failure to provide meal and rest periods and termination compensation, and violations of California's Business and Professions Code. The complaint seeks, among other relief, class certification of the lawsuit, unspecified damages, costs and expenses, including attorney's fees, and such other relief as the Court determines to be appropriate. The Company does not believe the California Plaintiffs have any standing to bring claims against the Company or its subsidiaries as all were employed by the Company's franchisee.

16. Recently Issued Financial Accounting Standards

In August 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-15: "Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU No. 2014-15"). ASU No. 2014-15 will explicitly require management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard is applicable for all entities and will be effective for the Company on December 25, 2016. The Company does not expect ASU No. 2014-15 to have a material impact to its financial position, results of operations and cash flows.
In May 2014, the FASB issued ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09"). ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers and supersedes current revenue recognition standards. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. ASU No. 2014-09 will be effective for the Company on December 26, 2016 and is applied retrospectively to each period presented or as a cumulative effect adjustment at the date of adoption. The Company has not selected a transition method and is evaluating the impact this guidance will have on its financial position, results of operations and cash flows.
In April 2014, the FASB issued ASU No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU No. 2014-08"). ASU No. 2014-08 changes the criteria for reporting and revises the definition of discontinued operations while enhancing disclosures in this area. Additional disclosure requirements for discontinued operations and new disclosures for individually material disposal transactions that do not meet the revised definition of a discontinued operation will be applicable. The Company elected to early adopt ASU No. 2014-08 in the third quarter of fiscal 2014. Accordingly, the Roy's concept was accounted for as a disposal as it did not represent a strategic shift in the Company's operations. See Note 3 - Impairments and Disposals regarding the Roy's disposal.

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

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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 contain these identifying words. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

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

(i) The restaurant industry is a highly competitive industry with many well-established competitors;

(ii) Our results can be impacted by local, regional, national and international economic and political conditions; patterns of customer traffic and our ability to effectively respond in a timely manner to changes in patterns of customer traffic; changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of our prices); the seasonality of our business; demographic trends; changes in consumer dietary habits; product mix; employee availability; the cost of advertising and media; the timing of restaurant operating expenses; government actions and policies; inflation or deflation; unemployment rates; interest rates; foreign exchange rates; and increases in various costs, including construction, real estate and health insurance costs;

(iii)

Commodities, including but not limited to, beef, chicken, shrimp, pork, seafood, dairy, produce, potatoes, onions and energy supplies, are subject to fluctuation in price and availability, and prices and other costs of our operations could increase more than we expect;

(iv) Challenging economic conditions may affect our liquidity by adversely impacting numerous items that include, but are not limited to: consumer confidence and discretionary spending; the availability of credit presently arranged from our revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers;

(v) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; our ability to obtain appropriate real estate sites at acceptable prices; our ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; the impact of government moratoriums or approval processes, which could result in significant delays; our ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; our ability to generate or borrow funds; our ability to negotiate suitable lease terms; our ability to recruit and train skilled management and restaurant employees; and our ability to receive the premises from the landlord’s developer without any delays;

(vi) Weather, natural disasters and other disasters could result in construction delays or slower customer traffic and could adversely affect the results of one or more restaurants for an indeterminate amount of time;

(vii) Our results can be negatively impacted by the effects of acts of war; periods of widespread civil unrest; actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, or other military action affecting countries in which we do business and by the effects of heightened security requirements on local, regional, national, or international economies or consumer confidence;

(viii) Our results can be impacted by tax and other legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements;

(ix) Our results can be impacted by anticipated or unanticipated changes in our tax rates, exposure to additional income tax liabilities and a change in our ability to realize deferred tax benefits;

(x) Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;

(xi) Our results can be impacted by consumer reaction to public health issues and perception of food safety;

(xii) We could face liabilities if we are unable to protect our information technology systems or experience an interruption or breach of security that could prevent us from effectively operating our business, protecting customer credit and debit card data or personal employee information; and

(xiii) Our substantial leverage and significant restrictive covenants in our various credit facilities could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new or renovate restaurants, limit our ability to react to changes in the economy or our industry, and expose us to interest rate risk in connection with our variable-rate debt.

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

Note: Numerical figures included in this Report have been subject to rounding adjustments.

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

Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of September 28, 2014, we owned and operated 1,349 restaurants and franchised 162 restaurants across 48 states, Puerto Rico, Guam and 20 countries. We have five founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Our concepts seek to provide a compelling customer experience combining great food, highly attentive service and lively and contemporary ambience at attractive prices. Our restaurants attract customers across a variety of occasions, including everyday dining, celebrations and business entertainment. Each of our concepts maintains a unique, founder-inspired brand identity and entrepreneurial culture, while leveraging our scale and enhanced operating model. We consider Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse and Wine Bar to be our core concepts. In September 2014, we reclassified the assets and liabilities of Roy's to held for sale as we plan to exit the Roy's business within a one-year period.
The restaurant industry is a highly competitive and fragmented industry and is sensitive to changes in the economy, trends in lifestyles, seasonality (customer traffic patterns at restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year) and fluctuating costs. Operating margins for restaurants can vary due to competitive pricing strategies, labor and fluctuations in prices of commodities, including beef, chicken, seafood, butter, cheese and produce, and other costs to operate a restaurant, such as rent, natural gas or utilities. Restaurant companies tend to be focused on increasing market share, comparable restaurant sales growth and new unit growth. Competitive pressure for market share, commodity inflation, foreign currency exchange rates and other market conditions have had and could continue to have an adverse impact on our business.

Our industry is characterized by high initial capital investment, coupled with high labor costs. The combination of these factors underscores our initiative to drive increased sales at existing restaurants in order to raise margins and profits, because the incremental contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is relatively high. Historically, we have not focused on growth in the number of restaurants just to generate additional sales. Our expansion and operating strategies have balanced investment and operating cost considerations in order to generate reasonable, sustainable margins and achieve acceptable returns on investment from our restaurant concepts.

Our strategic plan and operating model entails maintaining an experienced executive management team and adapting practices from the consumer products and retail industries to complement our restaurant acumen and enhance our brand management, analytics and innovation. This model keeps the customer at the center of our decision-making and focuses on continuous innovation and productivity to drive sustainable sales and profit growth. In addition, we believe that substantial development opportunities remain for our concepts in the U.S. and internationally.

We continue to balance near-term growth in market share with investments to achieve sustainable growth. In 2014, our key growth strategies, which are enabled by continued improvements in infrastructure and organizational effectiveness include:

- Grow Comparable Restaurant Sales. We plan to continue to remodel our restaurants, use limited-time offers and multimedia marketing campaigns to drive traffic, selectively expand the lunch daypart and introduce innovative menu items, including through extensive menu refresh initiatives at Carrabba's Italian Grill and Bonefish Grill, that match evolving consumer preferences.

- Pursue New Domestic Development Opportunities with Strong Unit Level Economics. We believe that a substantial development opportunity remains for our concepts in the U.S. Our top domestic development priority is Bonefish Grill unit growth. We expect to open between 55 and 60 system-wide locations in 2014 of which we expect approximately 50% will be domestic opportunities.

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

- Pursue New Strategic International Development in Selected Markets. We believe the international business represents a significant growth opportunity and that we are well-positioned to continue to expand outside the U.S. We continue to focus on existing geographic regions in Latin America and Asia, with strategic expansion in selected emerging and high growth developed markets. We are focusing our existing market growth in Brazil and new market growth in China. We expect that approximately 50% of our new units in 2014 will be international opportunities, but will shift to a higher weight of international units as we continue to implement our international expansion plans.

To further development opportunities outside the U.S., we amended our royalty agreement with the Carrabba's Founders. The amendment became effective June 1, 2014 and provides that no continuing royalty fee will be paid to the founders for Carrabba's restaurants located outside the United States. Each Carrabba's restaurant located outside the United States will pay a one-time lump sum royalty fee, which varies depending on the size of the restaurant. We plan to expand Carrabba's Italian Grill in Brazil, with the first opening expected in 2015.
The combination of macro-economic and other factors have put considerable pressure on sales in the casual dining industry both domestically and in our South Korea market.

- Domestically, the ongoing impacts of high unemployment or underemployment, continued reduced access to credit, governmental spending and budget matters, other national, regional and local regulatory and economic conditions, reduced disposable consumer income and consumer confidence have had a negative effect on discretionary consumer spending.

- In our South Korea market, higher levels of household debt have impacted discretionary consumer spending, particularly in the casual dining environment. As a result of macro-economic conditions, an increasingly competitive market and other factors, we decided to close 36 underperforming international locations, primarily in South Korea. We expect to substantially complete these restaurant closings during the fourth quarter of 2014 and the first quarter of 2015.

We anticipate the restaurant closings in South Korea will promote a more efficient cost structure and allow us to maintain current levels of profitability in a continued declining market. As a result of these actions, we believe that we have significantly reduced the operational risk and financial impact related to our South Korea operations.

As the macro-economic and other conditions persist domestically and in our South Korea market, we will continue to face increased pressure with respect to our pricing, traffic levels and commodity costs. We believe that in this environment, we need to maintain our focus on value and innovation as well as refreshing our restaurant base to continue to drive sales.

Key Performance Indicators

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

- Average restaurant unit volumes—average sales per restaurant to measure changes in customer traffic, pricing and development of the brand;

- Comparable restaurant sales—year-over-year comparison of sales volumes for domestic, Company-owned restaurants that are open 18 months or more in order to remove the impact of new restaurant openings in comparing the operations of existing restaurants;

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BLOOMIN' BRANDS, INC.

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

- System-wide sales—total restaurant sales volume for all Company-owned and franchise restaurants and, in historical periods, unconsolidated joint venture restaurants, regardless of ownership, to interpret the overall health of our brands;

- Adjusted restaurant-level operating margin, Adjusted income from operations, Adjusted net income, Adjusted diluted earnings per share, EBITDA and Adjusted EBITDA—non-GAAP financial measures utilized to evaluate our operating performance, and for which definitions, usefulness and reconciliations are described in more detail in the "Non-GAAP Financial Measures" section below; and

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

Change in Fiscal Year End

On January 3, 2014, our Board of Directors approved a change in our fiscal year end from a calendar year ending on December 31 to a 52-53 week year ending on the last Sunday in December, effective beginning with fiscal year 2014. We believe the change in our fiscal year end provides numerous benefits, including aligning our reporting periods to be more consistent with peer restaurant companies and improving comparability between periods by removing the trading day effect on Restaurant sales and operating margins. We will continue reporting our Brazil operations, on a calendar-based one-month lag. All other international operations will be reported on a 52-53 week reporting period contemporaneously with the domestic operations.

We made the fiscal year change on a prospective basis and have not adjusted operating results for prior periods. The change impacts the prior year comparability of our fiscal quarters and annual period in 2014 and will result in shifts in the quarterly periods, which will have an impact on our quarterly financial results. The thirteen weeks ended September 28, 2014 included one less operating day than the comparable prior year period and we estimate that the associated impact was a reduction of approximately \$6.9 million and \$1.4 million of Restaurant sales and Net (loss)income attributable to Bloomin' Brands, respectively. The thirty-nine weeks ended September 28, 2014 included two less operating days than the comparable prior year period and we estimate that the impact was a reduction of approximately \$14.4 million and \$2.9 million of Restaurant sales and Net (loss) income attributable to Bloomin' Brands, respectively.

The impact of the change in the reporting periods for fiscal year 2014 is as follows:

FISCAL PERIOD	2014 REPORTING PERIOD	2014 FISCAL PERIOD DAYS	COMPARABLE 2013 FISCAL PERIOD DAYS	FISCAL YEAR CHANGE IMPACT (in operating days)
First fiscal quarter	January 1, 2014 to March 30, 2014	89	90	(1)
Second fiscal quarter	March 31, 2014 to June 29, 2014	91	91	—
Third fiscal quarter	June 30, 2014 to September 28, 2014	91	92	(1)
Fourth fiscal quarter	September 29, 2014 to December 28, 2014	91	92	(1)
Fiscal year	January 1, 2014 to December 28, 2014	362	365	(3)

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

Selected Operating Data

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

	SEPTEMBER 28, 2014	SEPTEMBER 30, 2013
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company-owned—domestic	648	664
Company-owned—international (1) (2)	176	119
Franchised—domestic	105	106
Franchised and joint venture—international (1) (2)	51	94
Total	980	983
Carrabba's Italian Grill		
Company-owned	243	237
Franchised	1	1
Total	244	