Bloomin' Brands, Inc.
Form 10-K
February 22, 2017

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

FORM 10-K
(Mark One)

[X]	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended: December 25, 2016 Or
[ ]	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ______ to ______

Commission File Number: 001-35625

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

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ý NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ý

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 ý 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 ý NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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 ý Accelerated filer o
Non-accelerated filer o (Do not check if 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 Act). YES o NO ý

The aggregate market value of common stock held by non-affiliates (based on the closing price on the last business day of the registrant’s most recently completed second fiscal quarter as reported on the Nasdaq Global Select Market) was $1.6 billion.

As of February 17, 2017, 102,843,651 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant’s definitive Proxy Statement for its 2017 Annual Meeting of Stockholders, expected to be held on April 21, 2017, are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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For Fiscal Year 2016

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PART I

Cautionary Statement

This Annual Report on Form 10-K (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 (the "Exchange Act"). 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," "s "would" or, in each case, their negative or other variations or comparable terminology, although not all forward-looking statements are accompanied by such terms. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

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

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

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

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

(iv) Our ability to comply with governmental laws and regulations, the costs of compliance with such laws and regulations and the effects of changes to applicable laws and regulations, including tax laws and unanticipated liabilities;

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

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

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

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

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

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

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

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

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

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

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

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.

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BLOOMIN' BRANDS, INC.

Item 1. Business

General and History - Bloomin' Brands, Inc. ("Bloomin' Brands," the "Company," "we," "us," and "our" and similar terms me Bloomin' Brands, Inc. and its subsidiaries except where the context otherwise requires) is one of the largest casual dining restaurant companies in the world, with a portfolio of leading, differentiated restaurant concepts. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar. Our restaurant concepts range in price point and degree of formality from casual (Outback Steakhouse and Carrabba's Italian Grill) to upscale casual (Bonefish Grill) and fine dining (Fleming's Prime Steakhouse & Wine Bar).

As of December 25, 2016, we owned and operated 1,276 restaurants and franchised 240 restaurants across 48 states, Puerto Rico, Guam and 20 countries.

The first Outback Steakhouse restaurant opened in 1988 and in 1996, we expanded the Outback Steakhouse concept internationally. OSI Restaurant Partners, LLC ("OSI") is our primary operating entity and New Private Restaurant Properties, LLC ("PRP") owns and leases our owned restaurant properties, primarily to OSI subsidiaries. Both OSI and PRP are wholly-owned subsidiaries of Bloomin' Brands.

Financial Information About Segments - We have two reportable segments, U.S. and International, which reflects how we manage our business, review operating performance and allocate resources. The U.S. segment includes all brands operating in the U.S., and brands operating outside the U.S. are included in the International segment. Following is a summary of reporting segments as of December 25, 2016:

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

Segment information for fiscal years 2016, 2015 and 2014, which reflects financial information by geographic area, is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 and Note 19 - Segment Reporting of our Notes to Consolidated Financial Statements in Part II, Item 8.

OUR SEGMENTS

U.S. Segment

As of December 25, 2016, in our U.S. segment, we owned and operated 1,164 restaurants and franchised 113 restaurants across 48 states.

Outback Steakhouse - Outback Steakhouse is a casual steakhouse restaurant concept focused on steaks, signature flavors and Australian decor. The Outback Steakhouse menu offers seasoned and seared or wood-fire grilled steaks, chops, chicken, seafood, pasta, salads and seasonal specials. The menu also includes several specialty appetizers, including our signature Bloomin' Onion®, and desserts, together with full bar service including Australian wine and beer.

Carrabba's Italian Grill - Carrabba's Italian Grill is a casual authentic Italian restaurant concept featuring handcrafted dishes. The Carrabba's Italian Grill menu includes a variety of Italian pasta, chicken, beef and seafood dishes, small plates, salads and wood-fired pizza. Our ingredients are sourced from around the world and our traditional Italian exhibition kitchen allows customers to watch handmade dishes being prepared.

Bonefish Grill - Bonefish Grill is an upscale casual seafood restaurant concept that specializes in market fresh fish from around the world, wood-grilled specialties and hand-crafted cocktails. In addition, Bonefish Grill offers beef, pork and chicken entrées, as well as several specialty appetizers, including our signature Bang Bang Shrimp®, and desserts.

Fleming's Prime Steakhouse & Wine Bar - Fleming's Prime Steakhouse & Wine Bar is a contemporary steakhouse concept featuring prime cuts of beef, chops, fresh fish, seafood and poultry, salads and side dishes. The steak selection features USDA Prime corn-fed beef, both wet- and dry-aged for flavor and texture, in a variety of sizes and cuts. Fleming's Prime Steakhouse & Wine Bar offers a large selection of domestic and imported wines, with 100 selections available by the glass.

International Segment

We have cross-functional, local management to support and grow restaurants in each of the countries where we have Company-owned operations. Our international operations are integrated with our corporate organization to leverage enterprise-wide capabilities, including marketing, finance, real estate, information technology, legal, human resources, supply chain management and productivity.

On July 25, 2016, the Company completed the sale of its Outback Steakhouse subsidiary in South Korea ("Outback Steakhouse South Korea"). After completion of the sale, the Company's restaurant locations in South Korea are operated as franchises.

As of December 25, 2016, in our International segment, we owned and operated 112 restaurants and franchised 127 restaurants across 20 countries, Puerto Rico and Guam.

Outback Steakhouse - International Outback Steakhouse restaurants have a menu similar to the U.S. menu with additional variety to meet local taste preferences. In addition to the traditional Outback Special sirloin, a typical international menu may feature local beef cuts such as the Aussie Grilled Picanha in Brazil.

Carrabba's Italian Grill (Abbraccio Cucina Italiana) - Abbraccio Cucina Italiana, our Carrabba's Italian Grill restaurant concept in Brazil, offers a blend of traditional modern Italian dishes. The menu varies, with additional pasta and pizza menu offerings, to account for local tastes and customs. Abbraccio Cucina Italiana also has a range of beverage options, including classically inspired cocktails and local favorites with an Italian twist.

Restaurant Overview

Selected Sales Data - Following is sales mix by product type and average check per person for Company-owned restaurants during fiscal year 2016:

	U.S.				INTERNATIONAL
	Outback Steakhouse	Carrabba's Italian Grill	Bonefish Grill	Fleming's Prime Steakhouse & Wine Bar	Outback Steakhouse Brazil
Food & non-alcoholic beverage	90 %	85 %	78 %	73 %	83 %
Alcoholic beverage	10 %	15 %	22 %	27 %	17 %
	100 %	100 %	100 %	100 %	100 %

Average check per person ($USD)	$22	$ 21	$ 25	$ 74	$	15
Average check per person (LC)					R$	52

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System-wide Restaurant Summary - Following is a system-wide rollforward of restaurants in operation during fiscal year 2016:

	DECEMBER 27, 2015	2016 ACTIVITY OPENED	CLOSED	OTHER	DECEMBER 25, 2016	U.S. STATE COUNT
Number of restaurants:						
U.S.						
Outback Steakhouse						
Company-owned	650	5	(3)	(2)	650	
Franchised	105	2	(2)	—	105	
Total	755	7	(5)	(2)	755	48
Carrabba’s Italian Grill						
Company-owned	244	—	(2)	—	242	
Franchised	3	—	(1)	—	2	
Total	247	—	(3)	—	244	32
Bonefish Grill						
Company-owned	210	2	(8)	—	204	
Franchised	5	1	—	—	6	
Total	215	3	(8)	—	210	36
Fleming’s Prime Steakhouse & Wine Bar						
Company-owned	66	2	—	—	68	28
International						
Company-owned						
Outback Steakhouse - Brazil (1)	75	9	(1)	—	83	
Outback Steakhouse - South Korea (2)	75	3	(6)	(72)	—	
Other	16	14	(1)	—	29	
Franchised						
Outback Steakhouse - South Korea (2)	—	1	—	72	73	
Other	58	3	(9)	2	54	
Total	224	30	(17)	2	239	
System-wide total (3)	1,507	42	(33)	—	1,516	

(1) The restaurant counts for Brazil are reported as of November 30, 2016 and 2015, respectively, to correspond with the balance sheet dates of this subsidiary.

(2) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

(3) The restaurant count as of December 25, 2016 includes 43 locations scheduled to close in connection with the 2017 Closure Initiative (as defined below under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

RESTAURANT DESIGN AND DEVELOPMENT

Site Design - We generally construct freestanding buildings on leased properties, although certain leased sites are also located in strip shopping centers. Construction of a new restaurant typically takes 60 to 180 days from the date the location is leased or under contract and fully permitted. In the majority of cases, future restaurant development will result from the lease of existing third-party retail space. We typically design the interior of our restaurants in-house, utilizing outside architects when necessary. We have an ongoing remodel program across all of our concepts to maintain the relevance of our restaurants’ ambience.

Site Selection Process - We have a central site selection team comprised of real estate development, property/lease management and design and construction personnel. This site selection team also utilizes a combination of existing field operations managers, internal development personnel and outside real estate brokers to identify and qualify potential sites.

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We have a relocation initiative in process, primarily related to the Outback Steakhouse brand. This multi-year relocation plan is focused on driving additional traffic to our restaurants by moving legacy restaurants from non-prime to prime locations within the same trade area.

Restaurant Development

We utilize the ownership structure and market entry strategy that best fits the needs for a particular market, including Company-owned units, joint ventures and franchises. For each market, we determine whether we will focus on Company-owned units, joint ventures or franchises based on demand, cost structure and economic conditions.

International Development - We continue to expand internationally, leveraging established equity and franchise markets in South America and Asia, and in strategically selected emerging and high-growth developed markets, focusing on Brazil and China. As we continue to expand internationally, we complement our ownership positions in high growth markets with franchisee partnerships. During 2016, we entered into a multi-country franchise agreement for the development of up to 26 Outback Steakhouse and Abbraccio Cucina Italiana restaurants in the Middle East over the next five years. We also entered into a development agreement in 2016 with an existing franchisee in Australia to open 20 Outback Steakhouse restaurants over the next three years.

See Item 2 - Properties for disclosure of our international restaurant count by country.

U.S. Development - We plan to opportunistically pursue unit growth across our concepts through existing geography fill-in and market expansion opportunities based on their current location mix.

RESEARCH & DEVELOPMENT / INNOVATION

We utilize a global core menu policy to ensure consistency and quality in our menu offerings. Before we add an item to the core menu, our research and development ("R&D") team performs a thorough review of the item, including conducting consumer research, in order to assist in determining the viability of adding the item. Internationally, we have teams in our developed markets that tailor our menus to address the preferences of local consumers.

We continuously evolve our product offerings to improve efficiency based on consumer trends and feedback. We have a 12-month pipeline of new menu and promotional items across all concepts that allows us to quickly make adjustments in response to market demands, when necessary. In addition, we continue to focus on productivity across the portfolio. For new menu items and significant product changes, we have a testing process that includes direct consumer feedback on the product and its pricing.

Menu innovation and enhancement remains a high priority across all concepts. During 2016, we introduced a new center-cut sirloin, increased certain portion sizes and simplified the menu at Outback Steakhouse. We reduced menu complexity to refocus efforts on fresh seafood at Bonefish Grill and launched a new core menu at Carrabba's in 2016.

INFORMATION SYSTEMS

The Company leverages technology to support customer engagement, labor and food productivity initiatives and restaurant operations.

To drive customer engagement, the Company continues to invest in technology infrastructure, including brand websites, online ordering and mobile apps. To increase customer convenience, we are leveraging our existing online ordering infrastructure to facilitate expanded off-premise dining. Additionally, we have developed systems to support our new customer loyalty program with a focus to increase traffic to our restaurants. Investments are also being made in a global supply chain management system to provide better inventory forecasting and replenishment to our restaurants, which will help manage food quality and specifications. We also continue to invest in a range of tools and infrastructure to support risk management and cyber security.

Our integrated point-of-sale ("POS") system allows us to transact business in our restaurants, communicate sales data through a secure corporate network to our enterprise resource planning system and data warehouse and automate financial and accounting controls. Our Company-owned restaurants, and most of our franchised restaurants, are connected through a portal that provides our Company employees and franchise partners with access to business information and tools that allow them to collaborate, communicate, train and share information.

ADVERTISING AND MARKETING

We generally advertise through national and spot television and radio media. Our concepts have an active public relations program and also rely on national promotions, site visibility, local marketing, digital marketing, direct mail, billboards and point-of-sale materials to promote our restaurants. In recent years, we have increased the use of digital advertising which has allowed us to be more efficient with our advertising expenditures. Internationally, we have teams in our developed markets that engage local agencies to tailor advertising to each market and develop relevant and timely promotions based on local consumer demand.

In July 2016, we launched our first multi-brand loyalty program called Dine Rewards. Additionally, to help maintain consumer interest and relevance, each concept leverages limited-time offers featuring seasonal specials. We promote limited-time offers through integrated marketing programs that utilize all of our advertising resources.

RESTAURANT OPERATIONS

Management and Employees - The management staff of our restaurants varies by concept and restaurant size. Our restaurants employ primarily hourly employees, many of whom work part-time. The Restaurant Managing Partner has primary responsibility for the day-to-day operation of the restaurant and is required to follow Company-established operating standards. Area Operating Partners are responsible for overseeing the operations of typically six to 13 restaurants and Restaurant Managing Partners in a specific region.

Area Operating Partners, Restaurant Managing Partner and Chef Partner Programs - In addition to salary, Area Operating Partners, Restaurant Managing Partners and Chef Partners generally receive performance-based bonuses for providing management and supervisory services to their restaurants, certain of which may be based on a percentage of their restaurants' monthly operating results or distributable cash flow ("Monthly Payments").

Restaurant Managing Partners and Chef Partners in the U.S. are eligible to participate in deferred compensation programs. Under these deferred compensation programs, the Restaurant Managing Partners and Chef Partners are eligible to receive payments beginning upon completion of their five-year employment agreement. We invest in various corporate-owned life insurance policies, which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the deferred compensation plans. Also, on the fifth anniversary of the opening of each new U.S. Company-owned restaurant, the Area Operating Partner supervising the restaurant during the first five years of operation receives an additional performance-based bonus.

Many of our International Restaurant Managing Partners are given the option to purchase participation interests in the cash distributions from the restaurants they manage. The amount, terms and availability vary by country. This interest gives the partners the right to receive a percentage of the restaurant's annual cash flows for the duration of the agreement.

Supervision and Training - We require our Area Operating Partners and Restaurant Managing Partners to have significant experience in the full-service restaurant industry. All Area Operating Partners and Restaurant Managing Partners are required to complete a comprehensive training program that emphasizes our operating strategy, procedures and standards. The Restaurant Managing Partners and Area Operating Partners, together with our Presidents, Regional Vice Presidents, Vice Presidents of Training and Directors of Training, are responsible for selecting and training the employees for each new restaurant.

Service - In order to better assess and improve our performance, we use a third-party research firm to conduct an ongoing satisfaction measurement program that provides us with industry benchmarking information for our Company-owned and franchise locations in the U.S. We have a similar consumer satisfaction measurement program for our international Company-owned and certain franchise locations and we obtain industry benchmarking information for the international markets in which we operate, when available. These programs measure satisfaction across a wide range of experience elements.

SOURCING AND SUPPLY

Sourcing and Supply - We take a global approach to procurement and supply chain management, with our corporate team serving all U.S. and international concepts. In addition, we have dedicated supply chain management personnel for our international operations in South America and Asia. The supply chain management organization is responsible for all food and operating supply purchases as well as a large percentage of purchases of field and corporate services.

We address the end-to-end costs associated with the products and goods we purchase by utilizing a combination of global, regional and local suppliers to capture efficiencies and economies of scale. This “total cost of ownership” (“TCO”) approach focuses on the initial purchase price, coupled with the cost structure underlying the procurement and order fulfillment process. The TCO approach includes monitoring commodity markets and trends to execute product purchases at the most advantageous times.

We have a distribution program that includes food, beverage, smallwares and packaging goods in all major markets. This program is managed by a custom distribution company that only provides products approved for our system. This customized relationship also enables our staff to effectively manage and prioritize our supply chain.

Proteins represent 62% of our global commodity procurement composition, with beef representing 56% of purchased proteins. In 2016, we purchased: (i) more than 85% of our U.S. beef raw materials from four beef suppliers that represent approximately 83% of the total U.S. beef marketplace and (ii) more than 95% of our Brazil beef raw materials from one beef supplier that represents approximately eight percent of the total Brazil beef marketplace. Due to the nature of our industry, we expect to continue purchasing a substantial amount of our beef from a small number of suppliers. Other major commodity categories purchased include produce, dairy, bread and pasta, and energy sources to operate our restaurants, such as natural gas and electricity.

Quality Control - Our R&D facility is located in Tampa, Florida and serves as a global test kitchen and vendor product qualification site. Our quality assurance team manages internal auditors responsible for supplier evaluations and external third parties who inspect supplier adherence to quality, food safety and product specification. Our suppliers also utilize third-party labs for food safety and quality verification. We have a program that ensures suppliers comply with quality, food safety and other specifications. We develop sourcing strategies for all commodity categories based on the dynamics of each category. In addition, we require our supplier partners to meet or exceed our quality assurance standards.

Our operational teams have multiple touch points in the restaurants ensuring food safety, quality and freshness throughout all phases of the preparation process. In addition, we employ third-party auditors to verify our standards of food safety, training and sanitation.

RESTAURANT OWNERSHIP STRUCTURES

Our restaurants are Company-owned or operated under franchise arrangements. We generate our revenues from our Company-owned restaurants and through ongoing royalties from our franchised restaurants and sales of franchise rights.

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Company-Owned Restaurants - Company-owned restaurants are wholly-owned by us or in which we have a majority ownership. Our cash flows from entities in which we have a majority ownership are limited to the portion of our ownership. The results of operations of Company-owned restaurants are included in our consolidated operating results and the portion of income or loss attributable to the noncontrolling interests is eliminated in our Consolidated Statements of Operations and Comprehensive Income.

We pay royalties that range from 1.0% to 1.5% of U.S. sales on the majority of our Carrabba's Italian Grill restaurants, pursuant to agreements we entered into with the Carrabba's Italian Grill founders ("Carrabba's Founders"). Certain Carrabba's Italian Grill restaurants that opened or started serving weekday lunch on or after June 1, 2014, pay royalties of 0.5% on lunch sales.

Each Carrabba's restaurant located outside the United States pays a one-time lump sum fee to the Carrabba's Founders, which varies depending on the size of the restaurant. No continuing royalty fee is paid to the Carrabba's Founders for Carrabba's restaurants located outside the United States.

Unaffiliated Franchise Program - Our unaffiliated franchise agreements grant third parties rights to establish and operate a restaurant using one of our concepts. Franchised restaurants are required to be operated in accordance with the franchise agreement and in compliance with their respective concept's standards and specifications.

Under our franchise agreements, each of our franchisees is required to pay an initial franchise fee and pay monthly royalties based on a percentage of gross restaurant sales. Initial franchise fees are $40,000 for U.S. franchisees and range between $40,000 and $75,000 for international franchisees, depending on the market. Some franchisees may also pay administration fees based on a percentage of gross restaurant sales. Following is a summary of franchise fee percentages based on our current existing unaffiliated franchise agreements:

(as a % of gross Restaurant sales)	MONTHLY FRANCHISE FEE PERCENTAGE (1)
U.S. franchisees (1)	3.50% - 5.75%
International franchisees	3.00% - 6.00%

(1) In addition, under U.S. franchise agreements, a U.S. franchisee must contribute a percentage of gross sales for national marketing programs and must also spend a certain amount of gross sales on local advertising, up to a maximum of 8.0% of gross restaurant sales for combined national marketing and local advertising.

On July 25, 2016, the Company completed the sale of Outback Steakhouse South Korea. After completion of the sale, the Company's restaurant locations in South Korea are operated under an international franchise agreement.

T-Bird Restaurant Group, Inc. ("T-Bird") is party to an Outback Steakhouse Master Franchise Agreement. T-Bird, through its affiliates, owns and operates 55 Outback Steakhouse restaurants in California. T-Bird is also party to a separate Outback Steakhouse development agreement, which gives T-Bird the exclusive right to open additional Outback Steakhouse restaurants in California through 2031 and commits T-Bird to opening seven new Outback Steakhouse restaurants in California by January 2022. Each new Outback Steakhouse restaurant that T-Bird opens in California is governed by the Master Franchise Agreement. As of December 25, 2016, no new Outback Steakhouse restaurants have opened under T-Bird's development agreement.

COMPETITION

The restaurant industry is highly competitive with a substantial number of restaurant operators that compete directly and indirectly with us in respect to price, service, location and food quality, and there are other well-established competitors with significant financial and other resources. There is also active competition for management personnel, attractive suitable real estate sites, supplies and restaurant employees. In addition, competition is also influenced strongly by marketing and brand reputation. At an aggregate level, all major U.S. casual dining restaurants and casual dining restaurants in the international markets in which we operate would be considered competitors of our concepts. Further, we face growing competition from the supermarket industry and home delivery services and applications, with improved selections of prepared meals, and from quick service and fast casual restaurants, as a result of higher-quality food and beverage offerings. Internationally, we face increasing competition due to an increase in the number of casual dining restaurant options in the markets in which we operate.

GOVERNMENT REGULATION

We are subject to various federal, state, local and international laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of governmental authorities, which may include, among others, alcoholic beverage control, health and safety, nutritional menu labeling, health care, environmental and fire agencies in the state, municipality or country in which the restaurant is located.

U.S. - Alcoholic beverage sales represent 14% of our U.S. restaurant sales. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license or permit to sell alcoholic beverages on the premises and to provide service for extended hours and on Sundays.

Our restaurant operations are also subject to federal and state laws for such matters as:

- immigration, employment, minimum wages, overtime, tip credits, worker conditions and health care;
- nutritional labeling, nutritional content, menu labeling and food safety;
- the Americans with Disabilities Act, which, among other things, requires our restaurants to meet federally mandated requirements for the disabled; and
- information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud.

International - Our restaurants outside of the United States are subject to similar local laws and regulations as our U.S. restaurants, including labor, food safety and information security. In addition, we are subject to anti-bribery and anti-corruption laws and regulations.

See Item 1A - Risk Factors for a discussion of risks relating to federal, state, local and international regulation of our business.

EXECUTIVE OFFICERS OF THE REGISTRANT

Below is a list of the names, ages, positions and a brief description of the business experience of each of our executive officers as of February 17, 2017.

NAME	AGE	POSITION
Elizabeth A. Smith	53	Chairman of the Board of Directors and Chief Executive Officer
Chris Brandt	48	Executive Vice President and Chief Brand Officer
David J. Deno	59	Executive Vice President and Chief Financial and Administrative Officer
Donagh M. Herlihy	53	Executive Vice President, Digital and Chief Information Officer
Joseph J. Kadow	60	Executive Vice President and Chief Legal Officer
Michael Kappitt	47	Executive Vice President and President of Carrabba's Italian Grill
Patrick C. Murtha	58	Executive Vice President and President of Bloomin' Brands International
Gregg Scarlett	55	Executive Vice President and President of Outback Steakhouse
David P. Schmidt	46	Executive Vice President and President of Bonefish Grill

Sukhdev Singh	53	Executive Vice President, Global Chief Development and Franchising Officer

Elizabeth A. Smith was appointed Chairman in January 2012. Since November 2009, Ms. Smith has served as Chief Executive Officer and as a member of our Board of Directors. Ms. Smith is a member of the Board of Directors of Hilton Worldwide Holdings, Inc. and was previously a member of the Board of Directors of Staples, Inc. from September 2008 to June 2014.

Chris Brandt joined Bloomin' Brands as Executive Vice President and Chief Brand Officer in May 2016. Prior to joining Bloomin' Brands, Mr. Brandt was the Chief Brand Officer/Chief Marketing Officer for Taco Bell, a subsidiary of Yum! Brands Inc., from May 2013 to May 2016. Mr. Brandt was also a Senior Director and Vice President of Marketing for Taco Bell from November 2010 to May 2013.

David J. Deno has served as Executive Vice President and Chief Financial and Administrative Officer since May 2012. From December 2009 to May 2012, Mr. Deno served as Chief Financial Officer of the international division of Best Buy Co. Inc. Mr. Deno previously served as President and later Chief Executive Officer of Quiznos and Chief Financial Officer and later Chief Operating Officer of YUM! Brands, Inc.

Donagh M. Herlihy has served as Executive Vice President, Digital and Chief Information Officer since September 2014. Prior to joining Bloomin' Brands, Mr. Herlihy was Senior Vice President, Chief Information Officer and eCommerce of Avon Products, Inc. from March 2008 to August 2014.

Joseph J. Kadow has served as Executive Vice President and Chief Legal Officer since April 2005. Mr. Kadow has served as Assistant Secretary since February 2016 and previously served as Secretary from April 1994 to February 2016.

Michael Kappitt has served as Executive Vice President and President of Carrabba's Italian Grill since February 2016. Mr. Kappitt served as Senior Vice President and Chief Marketing Officer from January 2014 to February 2016 and Chief Marketing Officer of Outback Steakhouse from March 2011 to December 2013.

Patrick C. Murtha has served as Executive Vice President and President of Bloomin' Brands International since November 2013. From January 2006 to March 2013, Mr. Murtha was the Chief Operating Officer of Pizza Hut, Inc.

Gregg Scarlett has served as Executive Vice President and President of Outback Steakhouse since July 2016. Mr. Scarlett previously served as Executive Vice President and President of Bonefish Grill from March 2015 to July 2016; Senior Vice President, Casual Dining Restaurant Operations from January 2013 to March 2015; and Senior Vice President of Operations for Outback Steakhouse from March 2010 to January 2013.

David P. Schmidt has served as Executive Vice President and President of Bonefish Grill since July 2016. Mr. Schmidt previously served as Group Vice President of Finance from April 2016 to July 2016; Vice President of Finance for Bonefish Grill from August 2015 to April 2016; Vice President of Productivity from November 2011 to August 2015 and Vice President of Corporate Finance from April 2010 to November 2011 for Bloomin' Brands.

Sukhdev Singh has served as Executive Vice President, Global Chief Development and Franchising Officer since May 2015. Mr. Singh previously served as Senior Vice President, Chief Development Officer from January 2014 to May 2015. Prior to joining Bloomin' Brands, Mr. Singh was Chief Development Officer for Darden Restaurants, Inc. from July 2006 to January 2014.

EMPLOYEES

As of December 25, 2016, we employed approximately 97,000 persons, of which approximately 950 are corporate personnel. None of our U.S. employees are covered by a collective bargaining agreement. Various national industry-wide labor agreements apply to certain of our employees in Brazil. We consider our employee relations to be in good standing.

TRADEMARKS

We regard our Outback®, Outback Steakhouse®, Carrabba's Italian Grill®, Bonefish Grill®, and Fleming's Prime Steakhouse & Wine Bar® service marks and our Bloomin' Onion® trademark as having significant value and as being important factors in the marketing of our restaurants. We have also obtained trademarks for several of our other menu items and for various advertising slogans. We are aware of names and marks similar to the service marks of ours used by other persons in certain geographic areas in which we have restaurants. However, we believe such uses will not adversely affect us. Our policy is to pursue registration of our marks whenever possible and to oppose vigorously any infringement of our marks.

We license the use of our registered trademarks to franchisees and third parties through franchise arrangements and licenses. The franchise and license arrangements restrict franchisees' and licensees' activities with respect to the use of our trademarks, and impose quality control standards in connection with goods and services offered in connection with the trademarks.

SEASONALITY AND QUARTERLY RESULTS

Our business is subject to seasonal fluctuations. Historically, customer traffic patterns for our established U.S. restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year. International customer traffic patterns vary by market. For example, Brazil historically experiences minimal seasonal traffic fluctuations. Additionally, holidays and severe weather may affect sales volumes seasonally in some of our markets.

Quarterly results have been and will continue to be significantly affected by general economic conditions, the timing of new restaurant openings and their associated pre-opening costs, restaurant closures and exit-related costs and impairments of goodwill, definite and indefinite-lived intangible assets and property, fixtures and equipment. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

ADDITIONAL INFORMATION

We make available, free of charge, through our internet website www.bloominbrands.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission ("SEC"). You may read and copy any materials filed with the SEC at the Securities and Exchange Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our reports and other materials filed with the SEC are also available at www.sec.gov. The reference to these website addresses does not constitute incorporation by reference of the information contained on the websites and should not be considered part of this Report.

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BLOOMIN' BRANDS, INC.

Item 1A. Risk Factors

The risk factors set forth below should be carefully considered. The risks described below are those that we believe could materially and adversely affect our business, financial condition or results of operations, however, they are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business and Industry

Food safety and food-borne illness concerns in our restaurants or throughout the industry or supply chain may have an adverse effect on our business by reducing demand and increasing costs.

Regardless of the source or cause, any report of food-borne illnesses and other food safety issues, whether at one of our restaurants or in the industry or supply chain generally, could have a negative impact on our traffic and sales and adversely affect the reputation of our brands. Food safety issues could be caused by suppliers or distributors and, as a result, be out of our control. Health concerns or outbreaks of disease in a food product could also reduce demand for particular menu offerings. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of other companies could result in negative publicity about the food service industry generally and adversely impact our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

The restaurant industry is highly competitive. Our inability to compete effectively could adversely affect our business, financial condition and results of operations.

A substantial number of restaurant operators compete directly and indirectly with us with respect to price, service, location and food quality, some of which are well-established with significant resources. There is also active competition for management and other personnel, and attractive suitable real estate sites. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and our competitors may react more efficiently, creatively and effectively to those conditions. In addition, our competitors may generate or better implement business strategies that improve the value and relevance of their brands and reputation, relative to ours. For example, our competitors may more successfully implement menu or technology initiatives, such as remote ordering, social media or mobile technology platforms that expedite or enhance the customer experience. Further, we face growing competition from the supermarket industry and home delivery services and applications, with the improvement of their prepared food offerings, and from quick service and fast casual restaurants. We believe all of the above factors have increased competitive pressures in the casual dining sector in recent periods and we believe they will continue to present a challenging competitive environment in future periods. If we are unable to continue to compete effectively, our traffic, sales and margins could decline and our business, financial condition and results of operations would be adversely affected.

We are subject to various federal and state employment and labor laws and regulations.

Various federal and state employment and labor laws and regulations govern our relationships with our employees and affect operating costs, and similar laws and regulations apply to our operations outside of the U.S. These laws and regulations relate to matters including employment discrimination, minimum wage requirements, overtime, tip credits, unemployment tax rates, workers' compensation rates, working conditions, immigration status, tax reporting and other wage and benefit requirements. Any significant additional government regulations and new laws governing our relationships with employees, including minimum wage increases, mandated benefits or other requirements that impose additional obligations on us, could increase our costs and adversely affect our business and results of operations.

As a significant number of our food service and preparation personnel are paid at rates related to the applicable minimum wage, federal, state and local proposals related to minimum wage requirements or similar matters could, to the extent implemented, materially increase our labor and other costs. Several states in which we operate have recently approved minimum wage increases. As minimum wage increases are implemented in these states or any other states in which we operate in the future, we expect our labor costs will increase. Our ability to respond to minimum wage increases by increasing menu prices would depend on the responses of our competitors and consumers. Our distributors and suppliers could also be affected by higher minimum wage, benefit standards and compliance costs, which could result in higher costs for goods and services supplied to us.

We rely on our employees to accurately disclose the full amount of their tip income, and we base our FICA tax reporting on the disclosures provided to us by such tipped employees. Inaccurate employee FICA tax reporting could subject us to monetary liabilities, which could harm our business, results of operations and financial condition. In 2015, the IRS issued audit adjustments in aggregate of $6.4 million, for the employer's share of FICA taxes related to cash tips allegedly received and unreported by our employees during calendar years 2011 and 2012.

We are also subject, in the ordinary course of business, to employee claims against us based, among other things, on discrimination, harassment, wrongful termination, or violation of wage and labor laws. These claims may divert our financial and management resources that would otherwise be used to benefit our operations. The ongoing expense of any resulting lawsuits, and any substantial settlement payment or damage award against us, could adversely affect our business and results of operations.

Challenging economic conditions may have a negative effect on our business and financial results.

Challenging economic conditions may negatively impact consumer spending and thus cause a decline in our financial results. For example, international, domestic and regional economic conditions, consumer income levels, financial market volatility, social unrest, governmental, political and budget matters and a slow or stagnant pace of economic growth generally may have a negative effect on consumer confidence and discretionary spending. In recent years, we believe these factors and conditions have affected consumer traffic and comparable restaurant sales for us and throughout our industry and may continue to result in a challenging sales environment in the casual dining sector. A decline in economic conditions or negative developments with respect to any of the other factors mentioned above, generally or in particular markets in which we operate, and our consumers' reactions to these trends could result in increased pressure with respect to our pricing, traffic levels, commodity and other costs and the continuation of our innovation and productivity initiatives, which could negatively impact our business and results of operations. These factors could also cause us to, among other things, reduce the number and frequency of new restaurant openings, close restaurants or delay remodeling of our existing restaurant locations. Further, poor economic conditions may force nearby businesses to shut down, which could cause our restaurant locations to be less attractive.

Increased commodity, energy and other costs could decrease our profit margins or cause us to limit or otherwise modify our menus or increase prices, which could adversely affect our business.

The performance of our restaurants depends on our ability to anticipate and react to changes in the price and availability of food commodities. Our business also incurs significant costs for energy, insurance, labor, marketing and real estate. Prices may be affected due to supply, market changes, increased competition, the general risk of inflation, changes in laws, shortages or interruptions in supply due to weather, disease or other conditions beyond our control, or other reasons. Increased prices or shortages could affect the cost and quality of the items we buy or require us to raise prices, limit our menu options or implement alternative processes or products. For example, in 2016, average commodity costs increased by 0.3%. As result, these events, combined with other more general economic and demographic conditions, could impact our pricing and negatively affect our sales and profit margins.

Our failure to comply with government regulation related to our restaurant operations, and the costs of compliance or non-compliance, could adversely affect our business.

We are subject to various federal, state, local and foreign laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of governmental authorities, which may include, among others, alcoholic beverage control, food safety, nutritional menu labeling, health care, environmental and fire agencies in the state, municipality or country in which the restaurant is located. Our suppliers are also subject to regulation in some of these areas. Any difficulties or inabilities to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants. Additionally, difficulties in obtaining or failing to obtain the required licenses or approvals could delay or prevent the development of new restaurants.

Alcoholic beverage sales represent 14% of our consolidated restaurant sales and are subject to extensive state and local licensing and other regulations. The failure of a restaurant to obtain or retain a liquor license would adversely affect that restaurant’s operations. In addition, we are subject to “dram shop” statutes in certain states. These statutes generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

The FDA adopted final regulations to implement federal nutritional disclosure requirements in 2014, and, although implementation has been delayed, we expect we will be required to comply with these regulations during 2017. The regulations will require us to include calorie information on our menus, and provide additional nutritional information upon request. If the costs of implementing or complying with these new requirements exceed our expectations, our results of operations could be adversely affected. Furthermore, the effect of such labeling requirements on consumer choices, if any, is unclear. It is possible that we may also become subject to other regulation in the future seeking to tax or regulate high fat and high sodium foods in certain of our markets. Compliance with these regulations could be costly.

The food service industry is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may lessen the demand for our products, which would reduce sales and harm our business.

Food service businesses are affected by changes in consumer tastes and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid steak and other products we offer in any of our concepts in favor of foods or ingredients that are perceived as healthier or otherwise reflect popular demand, our business and operating results would be harmed. If we are unable to anticipate or successfully respond to changes in consumer preferences, our results of operations could be adversely affected, generally or in particular concepts or markets.

Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability.

We are subject to income and other taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or other legislative changes, including those that may result from the Base Erosion Profit Shifting initiative being conducted by the Organization for Economic Co-operation and Development, the outcome of income tax audits, and any repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from our historical income tax provisions and accruals. The results of a tax audit could have a material effect on our results of operations or cash flows in the period or periods for which that determination is made. In addition, our effective income tax rate and our results may be impacted by our ability to realize deferred tax benefits and by any increases or decreases of our valuation allowances applied to our existing deferred tax assets.

Risks associated with our expansion, remodeling and relocation plans may have adverse effects on our operating results.

As part of our business strategy, we intend to continue to expand our current portfolio of restaurants. Our current development schedule calls for the construction of between 40 and 50 new system-wide locations in 2017. A variety of factors could cause the actual results and outcome of those expansion plans to differ from the anticipated results, including among other things:

- the availability of attractive sites for new restaurants;
- acquiring or leasing those sites at acceptable prices and other terms;
- funding or financing our development;
- obtaining all required permits, approvals and licenses on a timely basis;

- recruiting and training skilled management and restaurant employees and retaining those employees on acceptable terms;
- weather, natural disasters and other events or factors beyond our control resulting in construction or other delays; and
- consumer tastes in new geographic regions and acceptance of our restaurant concepts and awareness of our brands in those regions.

It is difficult to estimate the performance of newly opened restaurants. Earnings achieved to date by restaurants open for less than two years may not be indicative of future operating results. If new restaurants do not meet targeted performance, it could have a material adverse effect on our operating results, including as a result of any impairment losses that we may be required to recognize. There is also the possibility that new restaurants may attract consumers away from other restaurants we own, thereby reducing the revenues of those existing restaurants, or that we will incur unrecoverable costs in the event a development project is abandoned prior to completion.

International expansion is an important part of our strategy, and some of the challenges described above could be more significant in international markets in which we have more limited experience, either generally or with a particular brand. Those markets are likely to have different competitive conditions, consumer tastes, discretionary spending patterns and brand awareness, which may cause our new restaurants to be less successful than restaurants in our existing markets or make it more difficult to estimate the performance of new restaurants.

In addition, in an effort to increase same-store sales and improve our operating performance, we continue to make improvements to our facilities through our remodeling and relocation programs. We also close underperforming restaurants from time to time in order to improve the performance of our brands. As demographic and economic patterns change or there are declines in neighborhoods where our restaurants are located or adverse economic conditions in local areas, current locations may not continue to be attractive or profitable. Because we lease a significant majority of our restaurants, we incur significant lease termination expenses when we close or relocate a restaurant. We also incur significant asset impairment and other charges in connection with closures and relocations. If the expenses associated with remodels, relocations or closures are higher than anticipated, we cannot find suitable locations or remodeled or relocated restaurants do not perform as expected, these programs may not yield the desired return on investment, which could have a negative effect on our operating results.

Security breaches of confidential consumer, personal employee and other material information may adversely affect our business.

The majority of our restaurant sales are by credit or debit cards. We also maintain certain personal information regarding our employees. Despite our security measures, our technology systems may be vulnerable to damage, disability or failures due to physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, employee error or malfeasance, denial of service attacks, viruses, worms and other disruptive problems caused by hackers and cyber criminals. A breach in our systems that compromises the information of our consumers or employees could result in widespread negative publicity, damage to the reputation of our brands, a loss of consumers and legal liabilities.

We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our consumers' credit or debit card information or if consumer or employee information is obtained by unauthorized persons or used inappropriately. Any such claim or proceeding, or any adverse publicity resulting from such an event, may have a material adverse effect on our business.

We rely heavily on information technology in our operations and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

Our operations and corporate functions rely heavily on information systems, including point-of-sale processing in our restaurants, management of our supply chain, payment of obligations, collection of cash, data warehousing to support analytics, finance and accounting systems, mobile technologies to enhance the customer experience and other various processes and procedures, some of which are handled by third parties. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security relating to these systems could result in delays in consumer service, reduce efficiency in our operations or result in negative publicity. These problems could adversely affect our results of operations, and remediation could result in significant, unplanned capital investments.

We face a variety of risks associated with doing business in foreign markets that could have a negative impact on our financial performance.

We have a significant number of restaurants outside the United States, and we intend to continue our efforts to grow internationally. Although we believe we have developed an appropriate support structure for international operations and growth, there is no assurance that international operations will be profitable or international growth will continue. In addition, if we have a significant concentration of restaurants in a foreign market the impact of any negative local conditions can have a sizable impact on our results.

Our foreign operations are subject to all of the same risks as our U.S. restaurants, as well as additional risks including, among others, international economic, political, social and legal conditions and the possibility of instability and unrest, differing cultures and consumer preferences, diverse government regulations and tax systems, corruption, anti-American sentiment, the ability to source high quality ingredients and other commodities in a cost-effective manner, uncertain or differing interpretations of rights and obligations in connection with international franchise agreements and the collection of ongoing royalties from international franchisees, the availability and costs of land, construction and financing, and the availability of experienced management, appropriate franchisees and area operating partners.

Currency regulations and fluctuations in exchange rates could also affect our performance. We have operations in a total of 20 foreign countries, including direct investments in restaurants in Brazil, Hong Kong and China, as well as international franchises. Brazil is our largest international market and will continue to be our top international development priority. As a result, we may experience losses from fluctuations in foreign currency exchange rates or any hedging arrangements we enter into to offset such fluctuations, and such losses could adversely affect our overall sales and earnings.

We are subject to governmental regulation of our foreign operations, including antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Any new regulatory or trade initiatives could impact our operations in certain countries. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

Loss of key management personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success will continue to depend, to a significant extent, on our leadership team and other key management personnel. If we are unable to attract and retain sufficiently experienced and capable management personnel, our business and financial results may suffer.

Our success depends substantially on the value of our brands.

Our success depends on our ability to preserve and grow our brands. Our brand value and reputation are especially important to differentiate our concepts in the highly competitive casual dining sector. Brand value and reputation is based in large part on consumer perceptions, which are driven by both our actions and actions beyond our control, such as new brand strategies or their implementation, business incidents, ineffective advertising or marketing efforts, or unfavorable mainstream or social media publicity involving us, our industry, our franchisees, or our suppliers.

The risks of negative publicity could be amplified by the increased prevalence and influence of social media. The availability of information on social media platforms is virtually immediate as is its impact, and users can post information often without filters or checks on the accuracy of the content posted. Adverse or inaccurate information concerning our company or concepts may be posted on such platforms at any time, and such information can quickly reach a wide audience. The harm may be immediate without affording us an opportunity for redress or correction, and it is challenging to monitor and anticipate developments on social media in order to respond in an effective and timely manner. We could also be exposed to these risks if we fail to use social media responsibly in our marketing efforts. These factors could have a material adverse effect on our business.

Regardless of its basis or validity, any unfavorable publicity could adversely affect public perception of our brands. If customers perceive that we and our franchisees fail to deliver a consistently positive and relevant experience, our brands could suffer and this could have an adverse effect on our business.

We have limited control with respect to the operations of our franchisees, which could have a negative impact on our business.

In the past year, we have increased the number of our franchisees through the sale of our South Korea operations. As of December 25, 2016, we franchised 240 restaurants across 13 states, Puerto Rico, Guam and 18 countries. Our franchisees are contractually obligated to operate their restaurants in accordance with our standards and we provide training and support to franchisees. However, franchisees are independent third parties that we do not control, and these franchisees own, operate and oversee the daily operations of their restaurants. As a result, the ultimate success and quality of any franchise restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with our product and service quality standards and contractual requirements, our image and reputation could be harmed, which in turn could adversely affect our business and operating results.

We have a limited number of suppliers for our major products and rely on one custom distribution company for our national distribution program in the U.S. and Brazil. If our suppliers or custom distributor are unable to fulfill their obligations under their contracts or we are unable to develop or maintain relationships with these or new suppliers or distributors, if needed, we could encounter supply shortages and incur higher costs.

We depend on frequent deliveries of fresh food products that meet our specifications, and we have a limited number of suppliers for our major products, such as beef. In 2016, we purchased: (i) more than 85% of our U.S. beef raw materials from four beef suppliers that represent approximately 83% of the total beef marketplace in the U.S and (ii) more than 95% of our Brazil beef raw materials from one beef supplier that represents approximately eight percent of the total Brazil beef marketplace. Due to the nature of our industry, we expect to continue to purchase a substantial amount of our beef from a small number of suppliers. We also use one supplier in the U.S. and Brazil, respectively, to process beef raw materials to our specifications and we use one distribution company to provide distribution services in the U.S and Brazil, respectively. Although we have not experienced significant problems with our suppliers or distributors, if our suppliers or distributors are unable to fulfill their obligations under their contracts, we could encounter supply shortages and incur higher costs.

In addition, if we are unable to maintain current purchasing terms or ensure service availability with our suppliers and distributor, we may lose consumers and experience an increase in costs in seeking alternative supplier or distribution services. The failure to develop and maintain supplier and distributor relationships and any resulting disruptions to the provision of food and other supplies to our restaurant locations could adversely affect our operating results.

Failure to achieve our projected cost savings from our efficiency initiatives could adversely affect our results of operations and eliminate potential funding for growth opportunities.

In recent years, we have identified strategies and taken steps to reduce operating costs and free up resources to reinvest in our business. These strategies include improved supply chain management, implementing labor scheduling tools and integrating restaurant information systems across our brands. We continue to evaluate and implement further cost-saving initiatives. However, the ability to reduce our operating costs through these initiatives is subject to risks and uncertainties, such as our ability to obtain improved supply pricing and the reliability of any new suppliers or technology, and we cannot assure that these activities, or any other activities that we may undertake in the future, will achieve the desired cost savings and efficiencies. Failure to achieve such desired savings could adversely affect our results of operations and financial condition and curtail investment in growth opportunities.

There are risks and uncertainties associated with strategic actions and initiatives that we may implement.

From time to time, we consider various strategic actions and initiatives in order to grow and evolve our business and brands and improve our operating results. These actions and initiatives could include, among other things, acquisitions or dispositions of restaurants or brands, new joint ventures, new franchise arrangements, restaurant closures and changes to our operating model. For example, in fiscal year 2016, we sold 72 South Korea restaurants and engaged in sale-leaseback transactions with respect to 159 restaurant properties. There can be no assurance that any such actions or initiatives will be successful or deliver their anticipated benefits. We may be exposed to new and unforeseen risks and challenges, particularly if we enter into markets or engage in activities with which we have no or limited prior experience, and it may be difficult to predict the success of such endeavors. If we incur significant expenses or divert management, financial and other resources to a strategic initiative that is unsuccessful or does not meet our expectations, our results of operations and financial condition would be adversely affected. We may also incur significant asset impairment and other charges in connection with any such initiative. Regardless of the ultimate success of a strategic initiative, the implementation and integration of new business or operational processes could be disruptive to our current operations. Even if we test and evaluate an initiative on a limited basis, the diversion of management time and resources could have an adverse effect on our business.

Our business is subject to seasonal and periodic fluctuations and past results are not indicative of future results.

Historically, consumer traffic patterns for our established restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year. Holidays may also affect sales volumes seasonally in some of the markets in which we operate. In addition, our quarterly results have been and will continue to be affected by the timing of new restaurant openings and their associated preopening costs, as well as restaurant closures and exit-related costs, debt extinguishment and modification costs and impairments of goodwill, intangible assets and property, fixtures and equipment. As a result of these and other factors, our financial results for any quarter may not be indicative of the results that may be achieved for a full fiscal year.

Significant adverse weather conditions and other disasters or unforeseen events could negatively impact our results of operations.

Adverse weather conditions and natural disasters and other unforeseen events, such as winter storms, severe temperatures, thunderstorms, floods, hurricanes and earthquakes, terror attacks, war and widespread/pandemic illness, and the effects of such events on economic conditions and consumer spending patterns, could negatively impact our results of operations. Temporary and prolonged restaurant closures may occur and consumer traffic may decline due to the actual or perceived effects from these events. For example, severe winter weather conditions have impacted our traffic and results of operations in the past.

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

Our trademarks, including Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse & Wine Bar and Bloomin' Onion, and other proprietary rights are important to our success and our competitive position. The protective actions that we take may not be sufficient to prevent unauthorized usage or imitation by others, which could harm our image, brand or competitive position. Furthermore, our ability to protect trademarks and other proprietary rights may be more limited in certain international markets where we operate.

Litigation could have a material adverse impact on our business and our financial performance.

We are subject to lawsuits, administrative proceedings and claims that arise in the regular course of business. These matters typically involve claims by consumers, employees and others regarding issues such as food borne illness, food safety, premises liability, "dram shop" statute liability, compliance with wage and hour requirements, work-related injuries, promotional advertising, discrimination, harassment, disability and other operational issues common to the foodservice industry, as well as contract disputes and intellectual property infringement matters. Significant legal fees and costs in complex class action litigation or an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have a material adverse effect on our financial position and results of operations.

Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.

We carry insurance programs with specific retention levels or high per-claim deductibles, for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, liquor liability, employment practices liability, property, health benefits, cyber security and other insurable risks. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, including wage and hour claims. These losses, if they occur, could have a material and adverse effect on our business and results of operations. Additionally, if our insurance costs increase, there can be no assurance that we will be able to successfully offset the effect of such increases and our results of operations may be adversely affected.

Failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could adversely affect the trading price of our common stock.

Effective internal control over financial reporting is necessary for us to provide accurate financial information. If we are unable to adequately maintain effective internal control over financial reporting, we may not be able to accurately report our financial results, which could cause investors to lose confidence in our reported financial information and negatively affect the trading price of our common stock. Furthermore, we cannot be certain that our internal control over financial reporting and disclosure controls and procedures will prevent all possible error and fraud. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake, which could have an adverse impact on our business.

Risks Related to Our Indebtedness

Our substantial leverage and our ability to refinance our indebtedness in the future could adversely affect our ability to raise additional capital to fund our operations, 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.

We are highly leveraged. As of December 25, 2016, our total indebtedness was $1.1 billion and we had $175.2 million in available unused borrowing capacity under our revolving credit facility, net of undrawn letters of credit of $27.8 million.

Our high degree of leverage could have important consequences, including:

- making it more difficult for us to make payments on indebtedness;
- increasing our vulnerability to general economic, industry and competitive conditions and the various risks we face in our business;
- increasing our cost of borrowing;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures,

dividend payments, share repurchases and future business opportunities;

- exposing us to the risk of increased interest rates because certain of our borrowings are at variable rates of interest;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- limiting our ability to obtain additional financing for working capital, capital expenditures, restaurant development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who may not be as highly leveraged.

We may incur substantial additional indebtedness in the future, subject to the restrictions contained in our senior secured credit facilities (the "Senior Secured Credit Facility"). If new indebtedness is added to our current debt levels, the related risks that we now face could increase.

We had $1.0 billion of variable-rate debt outstanding under our Senior Secured Credit Facility as of December 25, 2016. In September 2014, we entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt that had a start date of June 30, 2015. The swap agreements have an aggregate notional amount of $400.0 million and mature on May 16, 2019. While these agreements limit our exposure to higher interest rates, an increase in the floating rate could nonetheless cause a material increase in our interest expense due to the total amount of our outstanding variable rate indebtedness.

We cannot be certain that our financial condition or credit and other market conditions will be favorable when our Senior Secured Credit Facility matures in 2019, or at any earlier time we may seek to refinance our debt. If we are unable to refinance our indebtedness on favorable terms, our financial condition and results of operations would be adversely affected.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

We are a holding company and conduct our operations through our subsidiaries, certain of which have incurred their own indebtedness. Our subsidiaries' debt agreements contain various covenants that limit our ability to obtain funds from our subsidiaries through dividends, loans or advances. In addition, certain of our debt agreements limit our and our subsidiaries' ability to, among other things, incur or guarantee additional indebtedness, pay dividends on, redeem or repurchase our capital stock, make certain acquisitions or investments, incur or permit to exist certain liens, enter into transactions with affiliates or sell our assets to, merge or consolidate with or into, another company. Our debt agreements require us to satisfy certain financial tests and ratios. Our ability to satisfy such tests and ratios may be affected by events outside of our control.

If we breach the covenants under our debt agreements, the lenders could elect to declare all amounts outstanding under the agreements to be immediately due and payable and terminate all commitments to extend further credit. If we are unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our assets as collateral under our debt agreement. If our lenders accelerate the repayment of borrowings, we cannot be certain that we will have sufficient assets to repay them.

We may not be able to generate sufficient cash to service all of our indebtedness and operating lease obligations, and we may be forced to take other actions to satisfy our obligations under our indebtedness and operating lease obligations, which may not be successful. If we fail to meet these obligations, we would be in default under our debt agreements and the lenders could elect to declare all amounts outstanding under them to be immediately due and payable and terminate all commitments to extend further credit.

Our ability to make scheduled payments on our debt obligations and to satisfy our operating lease obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to financial, business and other factors, many of which are beyond our control. We cannot be certain that we will maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, or to pay our operating lease obligations. If our cash flow and capital resources are insufficient to fund our debt service obligations and operating lease obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations or take other actions to meet our debt service and other obligations. Our debt agreements restrict our ability to dispose of assets and how we may use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could otherwise realize from such dispositions and any such proceeds that are realized may not be adequate to meet any debt service obligations then due. The failure to meet our debt service obligations or the failure to remain in compliance with the financial covenants under our debt agreements would constitute an event of default under those agreements and the lenders could elect to declare all amounts outstanding under them to be immediately due and payable and terminate all commitments to extend further credit.

Risks Related to Our Common Stock

Our stock price is subject to volatility.

The stock market in general is highly volatile. As a result, the market price of our common stock is similarly volatile. The price of our common stock could be subject to wide fluctuations in response to a number of factors, some of which may be beyond our control. These factors include actual or anticipated fluctuations in our operating results, changes in, or our ability to achieve, estimates of our operating results by analysts, investors or management, analysts’ recommendations regarding our stock or our competitors’ stock, sales of substantial amounts of our common stock by our stockholders, actions or announcements by us or our competitors, the maintenance and growth of the value of our brands, litigation, legislation or other regulatory developments affecting us or our industry, natural disasters, terrorist acts, war or other calamities and changes in general market and economic conditions.

If we are unable to continue to pay dividends or repurchase our stock, your investment in our common stock may decline in value.

In 2015, we initiated a quarterly dividend program. Our Board of Directors has also authorized several stock repurchase programs commencing in late 2014 and we have repurchased a significant amount of our stock since that time. The continuation of these programs, at all or consistent with past levels, will require the generation of sufficient cash flows and the existence of surplus. Any decisions to declare and pay dividends and continue stock repurchase programs in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, borrowing capacity, contractual restrictions and other factors that our Board of Directors may deem relevant at the time.

Our ability to pay dividends is dependent on our ability to obtain funds from our subsidiaries and to have access to our revolving credit facility. Based on our credit agreement, restricted dividend payments from OSI to Bloomin’ Brands can be made on an unlimited basis provided we are compliant with our debt covenants.

If we discontinue our dividend or stock repurchase programs, or reduce the amount of the dividends we pay or stock that we repurchase, the price of our common stock may fall. As a result, you may not be able to resell your shares at or above the price you paid for them.

Provisions in our certificate of incorporation and bylaws, our Senior Secured Credit Facility and Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, may depress the trading price of our stock.

Our certificate of incorporation and bylaws include certain provisions that could have the effect of discouraging, delaying or preventing a change of control of our company or changes in our management.

In addition, our Senior Secured Credit Facility includes change of control provisions that require that no stockholder or "group" within the meaning of Section 13(d) of the Exchange Act (other than our former private equity sponsors, our founders and our management stockholders or other permitted holders) has obtained more than 40% of our voting power.

These provisions in our certificate of incorporation, bylaws, and Senior Secured Credit Facility may discourage, delay or prevent a transaction involving a change in control of the Company that is in the best interests of our stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging future takeover attempts.

Section 203 of the Delaware General Corporation Law may affect the ability of an "interested stockholder" to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an "interested stockholder." An "interested stockholder" is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation. Although we have elected in our certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law our certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that our former private equity sponsors will not be deemed to be "interested stockholders," regardless of the percentage of our voting stock owned by them, and accordingly will not be subject to such restrictions.

Our ability to raise capital in the future may be limited, which could make us unable to fund our capital requirements.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders may experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Item 1B. Unresolved Staff Comments

Not applicable.

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BLOOMIN' BRANDS, INC.

Item 2. Properties

During 2016, we entered into sale-leaseback transactions with third-parties in which we sold 159 restaurant properties. As of December 25, 2016, we owned 7% of our restaurant sites and leased the remaining 93% of our restaurant sites from third parties. We had 1,516 system-wide restaurants located across the following states, territories or countries as of December 25, 2016:

U.S.							
COMPANY-OWNED						FRANCHISE	
Alabama	20	Louisiana	22	Ohio	49	Alabama	1
Arizona	28	Maryland	41	Oklahoma	11	Alaska	1
Arkansas	11	Massachusetts	22	Pennsylvania	46	California	62
California	15	Michigan	37	Rhode Island	3	Florida	1
Colorado	30	Minnesota	9	South Carolina	39	Georgia	1
Connecticut	15	Mississippi	1	South Dakota	2	Idaho	6
Delaware	4	Missouri	16	Tennessee	37	Mississippi	7
Florida	220	Montana	1	Texas	74	Montana	2
Georgia	48	Nebraska	7	Utah	6	Ohio	1
Hawaii	6	Nevada	16	Vermont	1	Oregon	7
Illinois	26	New Hampshire	3	Virginia	60	Tennessee	3
Indiana	23	New Jersey	44	West Virginia	8	Virginia	1
Iowa	7	New Mexico	6	Wisconsin	12	Washington	20
Kansas	7	New York	45	Wyoming	2		
Kentucky	17	North Carolina	67				
Total U.S. company-owned					1,164	Total U.S. franchise	113
INTERNATIONAL							
COMPANY-OWNED		FRANCHISE					
Brazil (1)	97	Australia	7	Ecuador	1	Puerto Rico	3
China (Mainland)	6	Bahamas	1	Guam	1	Qatar	1
Hong Kong	9	Brazil	1	Indonesia	4	Saudi Arabia	5
		Canada	2	Japan	10	Singapore	2
		Chile	1	Malaysia	2	South Korea	73
		Costa Rica	1	Mexico	5	Thailand	1
		Dominican Republic	2	Philippines	4		
Total International company-owned	112					Total International franchise	127

(1) The restaurant count for Brazil is reported as of November 2016 to correspond with the balance sheet date of this subsidiary.

Following is a summary of the location and leased square footage for our corporate offices as of December 25, 2016:

LOCATION	USE	SQUARE FEET	LEASE EXPIRATION
Tampa, Florida	Corporate Headquarters	168,000	1/31/2025
São Paulo, Brazil	Brazil Operations Center	22,000	7/31/2021

We also have other smaller office locations regionally in China (mainland) and Hong Kong.

Item 3. Legal Proceedings

For a description of our legal proceedings, see Note 18 - Commitments and Contingencies, of the Notes to the Consolidated Financial Statements of this Report.

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Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

MARKET INFORMATION AND DIVIDENDS

Our common stock is listed on the Nasdaq Global Select Market under the symbol "BLMN".

In December 2014, our Board of Directors (our "Board") adopted a dividend policy under which it intends to declare quarterly cash dividends on shares of our common stock. Future dividend payments will depend on earnings, financial condition, capital expenditure requirements, surplus and other factors that our Board considers relevant. The terms of our debt agreements permit regular quarterly dividend payments, subject to certain restrictions. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on Nasdaq and the dividends declared and paid during the periods indicated:

	SALES PRICE				DIVIDENDS DECLARED AND PAID (1)	
	2016		2015			
	HIGH	LOW	HIGH	LOW	2016	2015
First Quarter	$18.09	$14.91	$26.25	$22.91	$0.07	$0.06
Second Quarter	19.83	16.01	24.53	20.86	0.07	0.06
Third Quarter	19.89	17.21	23.83	18.00	0.07	0.06
Fourth Quarter	19.99	15.82	19.44	15.90	0.07	0.06

(1) See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - DIVIDENDS AND SHARE REPURCHASES."

HOLDERS

As of February 17, 2017, there were 91 holders of record of our common stock.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table presents the securities authorized for issuance under our equity compensation plans as of December 25, 2016:

(shares in thousands) PLAN CATEGORY	(a) NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS,	(b) WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(c) NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY

	WARRANTS AND RIGHTS		COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a)) (1)
Equity compensation plans approved by security holders	10,984	$ 14.24	6,128

(1) The shares remaining available for issuance may be issued in the form of stock options, restricted stock, restricted stock units or other stock awards under the 2016 Omnibus Incentive Compensation Plan (the “2016 Incentive Plan”).

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STOCK PERFORMANCE GRAPH

The following graph depicts total return to stockholders from August 8, 2012, the date our common stock became listed on the Nasdaq Global Select Market, through December 25, 2016, relative to the performance of the Standard & Poor's 500 Index and the Standard & Poor's 500 Consumer Discretionary Sector, a peer group. The graph assumes an investment of $100 in our common stock and each index on August 8, 2012 and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.

	AUGUST 8, 2012	DECEMBER 31, 2012	DECEMBER 31, 2013	DECEMBER 28, 2014	DECEMBER 27, 2015	DECEMBER 25, 2016
Bloomin' Brands, Inc. (BLMN)	$ 100.00	$ 126.03	$ 193.47	$ 191.38	$ 139.38	$ 151.25
Standard & Poor's 500	100.00	102.72	135.96	156.76	157.94	177.32
Standard & Poor's Consumer Discretionary	100.00	107.53	153.58	168.55	186.16	199.30

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PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table provides information regarding our purchases of common stock during the thirteen weeks ended December 25, 2016:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED (1)	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
September 26, 2016 through October 23, 2016	—	$ —	—	$ 165,000,032
October 24, 2016 through November 20, 2016	619,700	$ 19.36	619,700	$ 153,004,103
November 21, 2016 through December 25, 2016	1,199,256	$ 19.22	1,196,698	$ 130,004,739
Total	1,818,956		1,816,398	

(1) On July 26, 2016, the Board of Directors authorized the repurchase of $300.0 million of our outstanding common stock as announced publicly in our press release issued on July 29, 2016 (the "July 2016 Share Repurchase Program"). The July 2016 Share Repurchase Program will expire on January 26, 2018. Common stock repurchased during the thirteen weeks ended December 25, 2016 represented shares repurchased under the July 2016 Share Repurchase Program and 2,558 shares withheld for tax payments due upon vesting of employee restricted stock awards.

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BLOOMIN' BRANDS, INC.

Item 6. Selected Financial Data

	FISCAL YEAR				
(dollars in thousands, except per share data)	2016	2015	2014	2013	2012
Operating Results:					
Revenues					
Restaurant sales (1)	$4,226,057	$4,349,921	$4,415,783	$4,089,128	$3,946,116
Other revenues	26,255	27,755	26,928	40,102	41,679
Total revenues (1)	4,252,312	4,377,676	4,442,711	4,129,230	3,987,795
Income from operations (2)	127,606	230,925	191,964	225,357	181,137
Net income including noncontrolling interests (2) (3)	46,347	131,560	95,926	214,568	61,304
Net income attributable to Bloomin' Brands (2) (3)	$41,748	$127,327	$91,090	$208,367	$49,971
Basic earnings per share	$0.37	$1.04	$0.73	$1.69	$0.45
Diluted earnings per share	$0.37	$1.01	$0.71	$1.63	$0.44
Cash dividends declared per common share	$0.28	$0.24	$—	$—	$—
Balance Sheet Data:					
Total assets	$2,642,279	$3,032,569	$3,338,240	$3,267,421	$3,003,214
Total debt, net	1,089,485	1,316,864	1,309,797	1,408,088	1,481,101
Total stockholders' equity (4)	195,353	421,900	556,449	482,709	220,205
Common stock outstanding (4)	103,922	119,215	125,950	124,784	121,148
Cash Flow Data:					
Investing activities:					
Capital expenditures	$260,578	$210,263	$237,868	$237,214	$178,720
Proceeds from sale-leaseback transactions, net	530,684	—	—	—	192,886
Financing activities:					
Repurchase of common stock (4)	$310,334	$170,769	$930	$436	$—

Note: This selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto, included in Item 8 of this Report and Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 of this Report.

(1) Due to the change in our fiscal year end, total revenues for 2015 include $24.3 million of higher restaurant sales and total revenues in fiscal year 2014 include $46.0 million of lower restaurant sales.

(2) Fiscal year 2016 includes: (i) $51.4 million of asset impairments and closing costs related to the 2017 Closure Initiative and Bonefish Restructuring (as defined later), (ii) $43.1 million of asset impairments related to our sale of Outback Steakhouse South Korea and for our Puerto Rico subsidiary, (iii) $7.2 million of asset impairments and restaurant closing costs related to the relocation of certain restaurants and (iv) $5.5 million of severance related to restructuring of certain functions and the relocation of our Fleming's operations center to the corporate home office. Fiscal year 2015 results include $4.9 million of higher income from operations due to a change in our fiscal year end and $31.8 million of asset impairments and restaurant closing costs related to our Bonefish Restructuring and our International and Domestic Restaurant Closure Initiatives. Fiscal year 2014 results include $9.2 million of lower income from operations due to a change in our fiscal year end, $26.8 million of asset impairments and restaurant closing costs related to our International and Domestic Restaurant Closure Initiatives, $24.0 million of asset impairments related to our Roy's concept and corporate airplanes and $9.0 million of severance related to our organizational realignment. Fiscal year 2013 results include $18.7 million of asset impairments due to our Domestic Restaurant Closure Initiative. Fiscal year 2012 includes: (i) $34.1 million of certain executive compensation costs and non-cash stock compensation charges incurred in connection with the completion of our initial public offering ("IPO"), (ii) management fees and other reimbursable expenses of $13.8 million related to a management agreement with our sponsors and founders, which terminated at the time of our IPO and (iii) $7.4

million of legal and other professional fees, primarily related to a lease amendment between OSI and PRP.

(3) Fiscal years 2016, 2015, 2014, 2013 and 2012 include $27.0 million, $3.0 million, $11.1 million, $14.6 million and $21.0 million, respectively, of loss on defeasance, extinguishment and modification of debt. Fiscal year 2013 includes a $36.6 million gain on remeasurement of a previously held equity investment related to our Brazil acquisition. Fiscal year 2013 includes a $52.0 million income tax benefit for a U.S. valuation allowance release.

(4) During fiscal years 2016 and 2015, we repurchased 16.6 million and 7.6 million shares of our outstanding common stock.

Item 7. 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 consolidated financial statements and the related notes.

Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of December 25, 2016, we owned and operated 1,276 restaurants and franchised 240 restaurants across 48 states, Puerto Rico, Guam and 20 countries. We have four founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar.

Executive Summary

Our 2016 financial results include:

- A decrease in total revenues of 2.9% to $4.3 billion in 2016 as compared to 2015, driven primarily by the sale of Outback Steakhouse South Korea, lower U.S. comparable restaurant sales and the effect of foreign currency translation, partially offset by the net benefit of restaurant openings and closings.

- Operating margin at the restaurant level declined (0.7)% in fiscal year 2016 as compared to fiscal year 2015, primarily due to higher labor costs and commodity and operating expense inflation, partially offset by the impact of certain cost saving initiatives and increases in average check per person.

- Income from operations decreased to $127.6 million in 2016 as compared to $230.9 million in 2015, primarily due to impairment charges incurred in connection with the 2017 Closure Initiative and the sale of Outback South Korea and a decrease in operating margin at the restaurant-level, partially offset by lower general and administrative expense.

- During fiscal year 2016, we repurchased $309.9 million of our common stock and declared and paid $31.4 million of dividends.

Following is a summary of factors that impacted our operating results and liquidity in 2016 and significant actions we have taken during the year:

PRP Mortgage Loan - In February 2016, New Private Restaurant Partners, LLC, our indirect wholly-owned subsidiary ("PRP"), entered into a loan agreement (the "PRP Mortgage Loan"), pursuant to which PRP borrowed $300.0 million. The proceeds of the PRP Mortgage Loan were used, together with borrowings under our revolving credit facility, to prepay a portion, and fully defease the remainder, of the 2012 CMBS loan. In connection with the defeasance, we recognized a loss of $26.6 million during 2016. In July 2016, PRP entered into an Amendment to the PRP Mortgage Loan to provide for additional borrowings of $69.5 million. See Note 11 - Long-term Debt, Net of the Notes to Consolidated Financial Statements for further information.

Sale-leaseback Transactions - During fiscal year 2016, we entered into sale-leaseback transactions with third-parties in which we sold 159 restaurant properties at fair market value for gross proceeds of $560.4 million. With the proceeds from these transactions, we made payments of $322.3 million on our PRP Mortgage Loan.

Subsequent to December 25, 2016, we entered into sale-leaseback transactions with third parties in which we sold six restaurant properties at fair market value for gross proceeds of $21.6 million and made payments of $19.2 million on our PRP Mortgage Loan. As of the date of this filing, the PRP Mortgage Loan had a remaining balance of $28.0 million.

Outback South Korea - On July 25, 2016, we sold Outback Steakhouse South Korea for $50.0 million in cash. In connection with the decision to sell Outback Steakhouse South Korea, we recognized an impairment charge of $39.6 million during fiscal year 2016. After completion of the sale, our restaurant locations in South Korea are operated as franchises.

Casual Dining Industry and Macroeconomic Conditions

The combination of casual dining industry conditions and other macroeconomic factors has put considerable pressure on restaurant sales. Competitive pressures, including discounting and marketing strategies, excess capacity in the industry, the relative affordability and quality of prepared meals from supermarkets and an increase in home delivery services and applications have impacted our traffic levels. We expect comparable restaurant sales to continue to be impacted in fiscal 2017 by current and anticipated market conditions.

2017 Closure Initiative

On February 15, 2017, we decided to close 43 underperforming restaurants (the "2017 Closure Initiative"). Most of these restaurants will close in 2017, with the balance closing as leases and certain operating covenants expire or are amended or waived. In connection with the 2017 Closure Initiative, we reassessed the future undiscounted cash flows of the impacted restaurants, and as a result, we recognized pre-tax asset impairments of $46.5 million during fiscal year 2016. See Note 3 - Impairments, Disposals and Exit Costs of our Notes to Consolidated Financial Statements in Part II, Item 8 for additional details regarding the 2017 Closure Initiative.

Business Strategies

In 2017, our key business strategies include:

- Continued Focus on U.S. Sales and Profitability. We plan to continue to remodel and relocate restaurants, make investments to enhance our core guest experience, increase off-premise dining occasions, introduce innovative menu items that match evolving consumer preferences and use limited-time offers and multimedia marketing campaigns to drive traffic.

- Accelerate International Growth. We continue to focus on existing geographic regions in South America and Asia, with strategic expansion in selected emerging and high growth developed markets. Specifically, we are focusing our existing market growth in Brazil and new market growth in China. We expect to open between 40 and 50 system-wide locations in 2017, with most expected to be international locations.

- Drive Long-Term Shareholder Value. We plan to drive long-term shareholder value by reinvesting operational cash flow in our business, improving our credit profile and returning excess cash to shareholders through share repurchases and dividends.

We intend to fund our business strategies, in part, by utilizing productivity initiatives across our business. Productivity savings will be reinvested in the business to drive revenue growth and margin improvement.

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 consumer traffic, pricing and development of the brand;

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

- System-wide sales—total restaurant sales volume for all Company-owned, franchise and 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—non-GAAP financial measures utilized to evaluate our operating performance, which definitions, usefulness and reconciliations are described in more detail in the "Non-GAAP Financial Measures" section below; and

- Consumer satisfaction scores—measurement of our consumers' experiences in a variety of key areas.

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

Selected Operating Data

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

	DECEMBER 25, 2016	DECEMBER 27, 2015	DECEMBER 28, 2014
Number of restaurants (at end of the period):			
U.S.			
Outback Steakhouse			
Company-owned	650	650	648
Franchised	105	105	105
Total	755	755	753
Carrabba’s Italian Grill			
Company-owned	242	244	242
Franchised	2	3	1
Total	244	247	243
Bonefish Grill			
Company-owned	204	210	201
Franchised	6	5	5
Total	210	215	206
Fleming’s Prime Steakhouse & Wine Bar			
Company-owned	68	66	66
Roy’s (1)			
Company-owned	—	—	20
International			
Company-owned			
Outback Steakhouse - Brazil (2)	83	75	63
Outback Steakhouse - South Korea (3)	—	75	91
Other	29	16	11
Franchised			
Outback Steakhouse - South Korea (3)	73	—	—
Other	54	58	55
Total	239	224	220
System-wide total (4)	1,516	1,507	1,508

(1) On January 26, 2015, we sold our Roy’s concept.
(2) The restaurant counts for Brazil are reported as of November 30, 2016, 2015 and 2014, respectively, to correspond with the balance sheet dates of this subsidiary.
(3) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.
(4) The restaurant count as of December 25, 2016 includes 43 locations scheduled to close in connection with the 2017 Closure Initiative.

Results of Operations

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

	FISCAL YEAR		
	2016	2015	2014
Revenues			
Restaurant sales	99.4 %	99.4 %	99.4 %
Franchise and other revenues	0.6	0.6	0.6
Total revenues	100.0	100.0	100.0
Costs and expenses			
Cost of sales (1)	32.1	32.6	32.5
Labor and other related (1)	28.7	27.7	27.6
Other restaurant operating (1)	23.5	23.1	23.8
Depreciation and amortization	4.6	4.3	4.3
General and administrative	6.3	6.6	6.9
Provision for impaired assets and restaurant closings	2.5	0.8	1.2
Total costs and expenses	97.0	94.7	95.7
Income from operations	3.0	5.3	4.3
Loss on defeasance, extinguishment and modification of debt	(0.6)	(0.1)	(0.3)
Other income (expense), net	*	(*)	(*)
Interest expense, net	(1.1)	(1.3)	(1.3)
Income before provision for income taxes	1.3	3.9	2.7
Provision for income taxes	0.2	0.9	0.5
Net income	1.1	3.0	2.2
Less: net income attributable to noncontrolling interests	0.1	0.1	0.1
Net income attributable to Bloomin' Brands	1.0 %	2.9 %	2.1 %

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

Revenues

Restaurant sales - Following is a summary of the change in Restaurant sales for fiscal years 2016 and 2015:

	FISCAL YEAR	
(dollars in millions):	2016	2015
For fiscal years 2015 and 2014	$4,349.9	$4,415.8
Change from:		
Divestitures	(86.9)	(63.2)
Comparable restaurant sales (1)	(57.7)	37.7
Restaurant closings	(33.9)	(99.2)
Effect of foreign currency translation	(31.6)	(119.3)
Restaurant openings (1)	86.2	153.8
Change in fiscal year	—	24.3
For fiscal years 2016 and 2015	$4,226.0	$4,349.9

(1) Summation of quarterly changes for restaurant openings and comparable restaurant sales will not total to annual amounts as the restaurants that meet the definition of a comparable restaurant will differ each period based on when the restaurant opened.

The decrease in Restaurant sales in 2016 as compared to 2015 was primarily attributable to: (i) the sale of Outback Steakhouse South Korea restaurants in July 2016, (ii) lower U.S. comparable restaurant sales, (iii) the closing of 24 restaurants since December 28, 2014 and (iv) the effect of foreign currency translation, due to the depreciation of the Brazil Real. The decrease in restaurant sales was partially offset by sales from 92 new restaurants not included in our comparable restaurant sales base.

The decrease in Restaurant sales in 2015 as compared to 2014 was primarily attributable to: (i) the effect of foreign currency translation, (ii) the closing of 84 restaurants since December 31, 2013 and (iii) the sale of 20 Roy's restaurants. The decrease in restaurant sales was partially offset by: (i) sales from 119 new restaurants not included in our comparable restaurant sales base, (ii) an increase in comparable restaurant sales and (iii) two additional operating days due to a change in our fiscal year end.

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

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

	FISCAL YEAR		
	2016	2015	2014
Year over year percentage change:			
Comparable restaurant sales (stores open 18 months or more) (1)(2):			
U.S.			
Outback Steakhouse	(2.3)%	1.8 %	3.1 %
Carrabba’s Italian Grill	(2.7)%	(0.7)%	(1.0)%
Bonefish Grill	(0.5)%	(3.3)%	0.5 %
Fleming’s Prime Steakhouse & Wine Bar	(0.2)%	1.3 %	3.2 %
Combined U.S.	(1.9)%	0.5 %	2.0 %
International			
Outback Steakhouse - Brazil (3)	6.7 %	6.3 %	7.6 %
Traffic:			
U.S.			
Outback Steakhouse	(5.7)%	(1.5)%	0.4 %
Carrabba’s Italian Grill	(2.7)%	(0.1)%	(1.1)%
Bonefish Grill	(3.7)%	(6.2)%	(0.3)%
Fleming’s Prime Steakhouse & Wine Bar	(2.2)%	(0.2)%	0.1 %
Combined U.S.	(4.7)%	(1.8)%	— %
International			
Outback Steakhouse - Brazil	0.2 %	0.5 %	1.2 %
Average check per person increases (decreases) (4):			
U.S.			
Outback Steakhouse	3.4 %	3.3 %	2.7 %
Carrabba’s Italian Grill	— %	(0.6)%	0.1 %
Bonefish Grill	3.2 %	2.9 %	0.8 %
Fleming’s Prime Steakhouse & Wine Bar	2.0 %	1.5 %	3.1 %
Combined U.S.	2.8 %	2.3 %	2.0 %
International			
Outback Steakhouse - Brazil	6.5 %	6.0 %	6.5 %

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

(2) Fiscal years 2015 and 2014 include $24.3 million higher restaurant sales and $46.0 million lower restaurant sales, respectively, due to a change in our fiscal year end.

(3) Includes the trading day impact from calendar period reporting of 0.0%, (0.2%) and (0.1%) for fiscal 2016, 2015 and 2014, respectively.

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

Average Restaurant Unit Volumes and Operating Weeks

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

	FISCAL YEAR		
	2016	2015	2014
Average restaurant unit volumes (dollars in thousands):			
U.S.			
Outback Steakhouse	$3,354	$3,430	$3,329
Carrabba's Italian Grill	$2,857	$2,954	$2,945
Bonefish Grill	$3,007	$3,019	$3,135
Fleming's Prime Steakhouse & Wine Bar	$4,277	$4,247	$4,163
International			
Outback Steakhouse - Brazil (1)	$3,856	$4,137	$5,659
Operating weeks:			
U.S.			
Outback Steakhouse	33,812	33,758	33,687
Carrabba's Italian Grill	12,658	12,678	12,467
Bonefish Grill	10,667	10,731	10,047
Fleming's Prime Steakhouse & Wine Bar	3,469	3,432	3,411
International			
Outback Steakhouse - Brazil	4,096	3,563	2,859

(1) Translated at average exchange rates of 3.50, 3.19 and 2.33 for fiscal years 2016, 2015 and 2014, respectively.

Franchise and other revenues

	FISCAL YEAR		
(dollars in millions)	2016	2015	2014
Franchise revenues	$19.8	$17.9	$17.2
Other revenues	6.5	9.9	9.7
Franchise and other revenues	$26.3	$27.8	$26.9

COSTS AND EXPENSES

Cost of sales

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Cost of sales	$1,354.9	$1,419.7		$1,419.7	$1,435.4	
% of Restaurant sales	32.1 %	32.6 %	(0.5)%	32.6 %	32.5 %	0.1 %

Cost of sales, consisting of food and beverage costs, decreased as a percentage of Restaurant sales in 2016 as compared to 2015. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.7% from the impact of certain cost savings initiatives and (ii) 0.4% from average check increases. These decreases were partially offset by increases as a percentage of Restaurant sales due to 0.5% from higher commodity costs.

The increase as a percentage of Restaurant sales in 2015 as compared to 2014 was primarily due to 1.2% higher commodity costs. This increase was largely offset by decreases as a percentage of Restaurant sales due to: (i) 1.0% from the impact of certain cost savings initiatives and (ii) 0.2% from average check per person increases.

During fiscal 2016, we incurred commodity inflation of 0.3%. In fiscal year 2017, we expect commodity costs to be flat to a 1.0% decline.

Labor and other related expenses

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Labor and other related	$1,211.3	$1,205.6		$1,205.6	$1,219.0	
% of Restaurant sales	28.7 %	27.7 %	1.0 %	27.7 %	27.6 %	0.1 %

Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to Restaurant Managing Partners, costs related to field deferred compensation plans and other field incentive compensation expenses. Labor and other related expenses increased as a percentage of Restaurant sales for 2016 as compared to 2015 primarily attributable to 1.2% of higher kitchen and service labor costs due to higher wage rates and investments in our service model. This increase was partially offset by a decrease as a percentage of Restaurant sales due to 0.4% from increases in average check per person.

Labor and other related expenses increased as a percentage of Restaurant sales for 2015 as compared to 2014 due to 0.9% from higher kitchen and service labor costs due to higher wage rates and lunch expansion across certain concepts. This increase was partially offset by decreases as a percentage of Restaurant sales primarily attributable to: (i) 0.4% from the impact of certain cost savings initiatives and (ii) 0.4% from increases in average check per person.

In fiscal year 2017, we expect to incur incremental expense of approximately $3.0 million in salary increases for restaurant managers. We increased salaries in advance of regulations enacted by the Department of Labor that raise the salary threshold to qualify as exempt from overtime. The Department of Labor is currently enjoined from implementing these regulations.

Other restaurant operating expenses

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Other restaurant operating	$992.2	$1,006.8		$1,006.8	$1,049.1	
% of Restaurant sales	23.5 %	23.1 %	0.4 %	23.1 %	23.8 %	(0.7)%

Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses is fixed or indirectly variable. The increase as a percentage of Restaurant sales for 2016 as compared to 2015 was primarily due to the following: (i) 0.4% from an increase in operating expenses due to inflation and timing and (ii) 0.3% from higher net rent expense due to the sale-leaseback of certain properties. These increases were partially offset by a decrease as a percentage of Restaurant sales primarily due to 0.3% from the impact of certain cost savings initiatives.

The decrease as a percentage of Restaurant sales for 2015 as compared to 2014 was primarily due to the following: (i) 0.6% from a decrease due to marketing efficiencies with a shift to digital advertising from television and lower marketing spend, (ii) 0.3% from increases in average check per person and (iii) 0.3% from the impact of certain cost savings initiatives. The decreases were partially offset by increases as a percentage of Restaurant sales primarily due to: (i)

0.2% from an increase in operating supplies due to lunch expansion and promotions and (ii) 0.2% from a legal settlement gain in 2014.

Depreciation and amortization

(dollars in millions):	FISCAL YEAR 2016	2015	Change	FISCAL YEAR 2015	2014	Change
Depreciation and amortization	$193.8	$190.4	$ 3.4	$190.4	$190.9	$(0.5)

Depreciation and amortization increased for 2016 as compared to 2015 primarily due to the opening of new restaurants and the remodeling of existing restaurants, partially offset by lower depreciation expense related to: (i) the sale of Outback South Korea, (ii) impairments related to the Bonefish Grill Restructuring and (iii) the effect of foreign currency translation.

Depreciation and amortization decreased slightly for 2015 as compared to 2014 due to: (i) the sale of Roy's, (ii) lower depreciation for certain information technology assets that fully depreciated in the fourth quarter of 2014 and (iii) lower depreciation for South Korea assets due to impairments related to the International Restaurant Closure Initiative. These decreases were partially offset by increases due to additional depreciation expense related to the opening of new restaurants and the remodeling of existing restaurants.

General and administrative expenses

General and administrative expense includes salaries and benefits, management incentive programs, related payroll tax and benefits, other employee-related costs and professional services. Following is a summary of the changes in general and administrative expenses:

(dollars in millions):	FISCAL YEAR 2016	2015
For fiscal years 2015 and 2014	$287.6	$304.4
Change from:		
Life insurance and deferred compensation (1)	(10.2)	(1.2)
Incentive compensation (2)	(9.4)	0.3
Legal and professional fees (3)	(5.2)	3.2
Foreign currency exchange (4)	(3.4)	(6.5)
Compensation, benefits and payroll tax (5)	—	(7.2)
Severance (6)	3.6	(7.7)
Employee stock-based compensation (7)	1.5	2.9
Other	3.5	(0.6)
For fiscal years 2016 and 2015	$268.0	$287.6

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(1) In 2016, life insurance and deferred compensation decreased primarily due to: (i) the acquisition of managing partners' interests in certain Outback Steakhouse restaurants, (ii) a decrease in restaurant-level operating performance and (iii) an increase in the cash surrender value of life insurance investments related to our partner deferred compensation programs.

(2) In 2016, incentive compensation decreased due to performance against current year objectives.

(3)

In 2016, legal and professional fees were lower due to legal costs in 2015 associated with the Cardoza litigation and certain professional service fees and technology projects incurred in 2015 that supported our planned operational growth.

(4) For 2016 and 2015, foreign currency exchange primarily includes depreciation of the Brazil Real.

(5) In 2015, employee compensation, benefits and payroll tax was lower primarily due to lower headcount resulting from our organizational realignment in 2014 and the International Restaurant Closure Initiative, partially offset by higher costs related to additional employee benefits.

(6) Severance expense in 2016 was higher due to a restructuring of certain home office and field support functions. In 2015, severance expense was lower due to an organizational realignment of certain functions during 2014, partially offset by severance incurred in 2015 for the International Restaurant Closure Initiative.
(7) In 2016 and 2015, employee stock-based compensation increased due to new grants, partially offset by forfeitures.

Provision for impaired assets and restaurant closings

(dollars in millions):	FISCAL YEAR 2016	2015	Change	FISCAL YEAR 2015	2014	Change
Provision for impaired assets and restaurant closings	$104.6	$36.7	$ 67.9	$36.7	$52.1	$(15.4)

Restructuring and Closure Initiatives - Following is a summary of expenses related to the 2017 Closure Initiative, Bonefish Restructuring and International and Domestic Restaurant Closure Initiatives (the "Closure Initiatives") recognized in Provision for impaired assets and restaurant closings in our Consolidated Statements of Operations and Comprehensive Income for the periods indicated:

(dollars in millions)	FISCAL YEAR 2016	2015	2014
Impairment, facility closure and other expenses			
2017 Closure Initiative	$46.5	$—	$—
Bonefish Restructuring	4.9	24.2	—
International Restaurant Closure Initiative	—	6.0	19.7
Domestic Restaurant Closure Initiative	—	1.6	6.0
Impairment, facility closure and other expenses for Closure Initiatives	$51.4	$31.8	$25.7

2017 Closure Initiative - On February 15, 2017, we decided to close 43 underperforming restaurants (the "2017 Closure Initiative"). In connection with the 2017 Closure Initiative, we reassessed the future undiscounted cash flows of the impacted restaurants, and as a result, we recognized pre-tax asset impairments of $46.5 million during fiscal year 2016. We expect to incur additional charges of approximately $17.0 million to $19.0 million for the 2017 Closure Initiative over the next three years, including costs associated with lease obligations and other closure related obligations.

Bonefish Restructuring - In February 2016, we decided to close 14 Bonefish restaurants (the "Bonefish Restructuring"). We expect to substantially complete these restaurant closings through the first quarter of 2019. We expect to incur additional charges of approximately $2.2 million to $5.2 million for the Bonefish Restructuring over the next two years, including costs associated with lease obligations and other closure related obligations.

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

Sale of Outback Steakhouse South Korea - On July 25, 2016, we completed the sale of Outback Steakhouse South Korea. In connection with the decision to sell Outback Steakhouse South Korea, we recognized an impairment charge of $39.6 million during fiscal year 2016.

Roy’s - In connection with the decision to sell Roy’s, we recorded pre-tax impairment charges of $13.4 million for Assets held for sale during fiscal year 2014.

Other Disposals - During 2016, we recognized impairment charges of $3.5 million for our Puerto Rico subsidiary.

During the third quarter of 2014, we decided to sell both of our corporate airplanes. In connection with the decision, we recognized pre-tax asset impairment charges of $10.6 million during fiscal year 2014.

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

Income from operations

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Income from operations	$127.6	$230.9		$230.9	$192.0	
% of Total revenues	3.0 %	5.3 %	(2.3)%	5.3 %	4.3 %	1.0 %

The decrease in income from operations during fiscal year 2016 as compared to fiscal year 2015 was primarily due to impairment charges incurred in connection with the 2017 Closure Initiative and the sale of Outback South Korea and a decrease in operating margin at the restaurant-level. These decreases were partially offset by lower general and administrative expense.

The increase in income from operations during fiscal year 2015 as compared to fiscal year 2014 was primarily due to lower general and administrative expense, lower impairments and restaurant closing costs and an increase in operating margin at the restaurant-level.

Loss on defeasance, extinguishment and modification of debt

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions)	2016	2015	Change	2015	2014	Change
Loss on defeasance, extinguishment and modification of debt	$27.0	$3.0	$ 24.0	$3.0	$11.1	$(8.1)

We recognized a loss on defeasance, extinguishment and modification of debt in connection with the: (i) the defeasance of the 2012 CMBS loan and the amendment of the PRP Mortgage Loan in 2016 and (ii) the refinancing of our Senior Secured Credit Facility in 2015 and 2014.

Other income (expense), net

Other income (expense), net, includes items deemed to be non-operating based on management's assessment of the nature of the item in relation to our core operations:

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Other income (expense), net	$1.6	$(0.9)	$ 2.5	$(0.9)	$(1.2)	$ 0.3

We recorded other income (expense) primarily in connection with: (i) the gain on sale of Outback Steakhouse South Korea in fiscal year 2016, (ii) the loss on sale of our Roy's business during fiscal year 2015 and (iii) the loss on sale of an Outback Steakhouse restaurant in Mexico in fiscal year 2014.

Interest expense, net

	FISCAL YEAR			FISCAL YEAR		
(dollars in millions):	2016	2015	Change	2015	2014	Change
Interest expense, net	$45.7	$56.2	$(10.5)	$56.2	$59.7	$(3.5)

The decrease in interest expense, net in fiscal year 2016 as compared to fiscal year 2015 was primarily due to the refinancing of the 2012 CMBS loan in February 2016, partially offset by deferred financing fee amortization, additional draws on our revolving credit facility and expense related to the interest rate swaps.

The decrease in net interest expense in fiscal year 2015 as compared to fiscal year 2014 was primarily due to the refinancing of the Senior Secured Credit Facilities in March 2015 and May 2014 and the repayment of long-term debt during fiscal year 2014. These decreases were partially offset by additional expense related to the interest rate swaps.

Provision for income taxes

	FISCAL YEAR			FISCAL YEAR		
	2016	2015	Change	2015	2014	Change
Effective income tax rate	18.0%	23.0%	(5.0)%	23.0%	20.0%	3.0 %

The net decrease in the effective income tax rate in fiscal year 2016 as compared to fiscal year 2015 was primarily due to benefits from employment-related credits being a higher percentage of net income in 2016 and a change in the amount and mix of income and losses across the Company's domestic and international subsidiaries, partially offset by the sale of Outback Steakhouse South Korea.

The net increase in the effective income tax rate in fiscal year 2015 as compared to fiscal year 2014 was primarily due to a change in the amount and mix of income and losses across our domestic and international subsidiaries and the payroll tax audit settlements.

The effective income tax rate for fiscal years 2016, 2015 and 2014 was lower than the blended federal and state statutory rate of 39.0%, primarily due to the benefit of tax credits for FICA taxes on certain employees' tips.

Segments

We have two reportable segments, U.S. and International, which reflects how we manage our business, review operating performance and allocate resources. The U.S. segment includes all brands operating in the U.S. while brands operating outside the U.S. are included in the International segment. Resources are allocated and performance is assessed by our Chief Executive Officer, whom we have determined to be our Chief Operating Decision Maker.

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

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

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

	FISCAL YEAR		
(dollars in thousands)	2016	2015	2014
Segment income (loss) from operations			
U.S.	$286,683	$348,731	$327,693
International	(5,954)	34,597	25,020
Total segment income from operations	280,729	383,328	352,713
Unallocated corporate operating expense	(153,123)	(152,403)	(160,749)
Total income from operations	127,606	230,925	191,964
Loss on defeasance, extinguishment and modification of debt	(26,998)	(2,956)	(11,092)
Other income (expense), net	1,609	(939)	(1,244)
Interest expense, net	(45,726)	(56,176)	(59,658)
Income before provision for income taxes	$56,491	$170,854	$119,970

U.S. Segment

	FISCAL YEAR		
(dollars in thousands)	2016	2015	2014
Revenues			
Restaurant sales	$3,777,907	$3,857,162	$3,832,373
Franchise and other revenues	19,402	22,581	21,906
Total revenues	$3,797,309	$3,879,743	$3,854,279
Restaurant-level operating margin	15.4 %	16.0 %	15.6 %
Income from operations	286,683	348,731	327,693
Operating income margin	7.5 %	9.0 %	8.5 %

Restaurant sales

Following is a summary of the change in U.S. segment Restaurant sales for fiscal years 2016 and 2015:

	FISCAL YEAR	
(dollars in millions)	2016	2015
For fiscal years 2015 and 2014	$3,857.2	$3,832.4
Change from:		
Comparable restaurant sales (1)	(72.5)	20.1
Restaurant closings	(25.1)	(21.1)
Divestiture of Roy's	(5.7)	(63.2)
Restaurant openings (1)	24.0	66.1
Change in fiscal year	—	22.8
For fiscal years 2016 and 2015	$3,777.9	$3,857.1

(1) Summation of quarterly changes for restaurant openings and comparable restaurant sales will not total to annual amounts as the restaurants that meet the definition of a comparable restaurant will differ each period based on when the restaurant opened.

The decrease in U.S. Restaurant sales in fiscal year 2016 was primarily attributable to: (i) lower comparable restaurant sales, (ii) the closing of 18 restaurants since December 28, 2014 and (iii) the sale of 20 Roy's restaurants in January

2015. The decrease in U.S. Restaurant sales was partially offset by sales from 38 new restaurants not included in our comparable restaurant sales base.

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

The increase in U.S. Restaurant sales in fiscal year 2015 was primarily attributable to: (i) sales from 63 new restaurants not included in our comparable restaurant sales base, (ii) two additional operating days due to a change in our fiscal year end and (iii) higher comparable restaurant sales at our existing restaurants. The increase in U.S. Restaurant sales was partially offset by: (i) the sale of 20 Roy's restaurants and (ii) the closing of 31 restaurants since December 31, 2013.

Restaurant-level operating margin

The decrease in U.S. restaurant-level operating margin in fiscal year 2016 as compared to fiscal year 2015 was primarily due to: (i) higher kitchen and service labor costs due to higher wage rates and investments in our service model, (ii) an increase in operating expenses due to inflation and timing and (iii) higher net rent expense due to the sale-leaseback of certain properties. These increases were partially offset by: (i) the impact of certain cost saving initiatives and (ii) increases in average check per person.

The increase in U.S. restaurant-level operating margin in fiscal year 2015 as compared to fiscal year 2014 was primarily due to: (i) the impact of certain cost savings initiatives, (ii) lower marketing expense and (iii) increases in average check per person. This increase was partially offset by: (i) commodity inflation and (ii) higher kitchen and labor costs due to higher wage rates and lunch expansion across certain concepts.

Income from operations

The decrease in U.S. income from operations generated in fiscal year 2016 as compared to fiscal year 2015 was primarily due to: (i) higher impairment and restaurant closing costs, primarily related to the 2017 Closure Initiative and (ii) lower operating margin at the restaurant level, partially offset by lower general and administrative expense. General and administrative expense for the U.S. segment decreased primarily from lower deferred compensation expense due to the acquisition of a managing partner's interests in certain Outback Steakhouse restaurants.

The increase in U.S. income from operations generated in fiscal year 2015 as compared to fiscal year 2014 was primarily due to: (i) higher restaurant-level operating income and (ii) lower general and administrative expense. General and administrative expense for the U.S. segment decreased primarily due to lower compensation and benefits driven by our organizational realignment in fiscal 2014 and lower incentive compensation due to performance against current year objectives compared to prior year. These increases in U.S. income from operations were partially offset by higher impairment and restaurant closing costs, primarily related to the Bonefish Restructuring.

International Segment

	FISCAL YEAR		
(dollars in thousands)	2016	2015	2014
Revenues			
Restaurant sales	$448,150	$492,759	$583,410
Franchise and other revenues	6,853	5,174	5,022
Total revenues	$455,003	$497,933	$588,432
Restaurant-level operating margin	18.8 %	19.3 %	18.4 %
Income (loss) from operations	(5,954)	34,597	25,020
Operating income (loss) margin	(1.3)%	6.9 %	4.3 %

Restaurant sales

Following is a summary of the change in International segment Restaurant sales for fiscal years 2016 and 2015:

	FISCAL YEAR	
(dollars in millions)	2016	2015
For fiscal years 2015 and 2014	$492.8	$583.4
Change from:		
Divestiture of Outback Steakhouse South Korea	(81.2)	—
Effect of foreign currency translation	(31.6)	(119.3)
Restaurant closings	(8.8)	(78.1)
Restaurant openings (1)	62.2	87.7
Comparable restaurant sales (1)	14.8	17.6
Change in fiscal year	—	1.5
For fiscal years 2016 and 2015	$448.2	$492.8

(1) Summation of quarterly changes for restaurant openings and comparable restaurant sales will not total to annual amounts as the restaurants that meet the definition of a comparable restaurant will differ each period based on when the restaurant opened.

The decrease in Restaurant sales in fiscal year 2016 was primarily attributable to: (i) the sale of 72 Outback Steakhouse South Korea restaurants in July 2016, (ii) the effect of foreign currency translation and (iii) the closing of six restaurants since December 28, 2014. The decrease in restaurant sales was partially offset by: (i) sales from 54 new restaurants not included in our comparable restaurant sales base and (ii) an increase in comparable restaurant sales.

The decrease in Restaurant sales in fiscal year 2015 was primarily attributable to: (i) the effect of foreign currency translation and (ii) the closing of 53 restaurants since December 31, 2013. The decrease in restaurant sales was partially offset by: (i) sales from 56 new restaurants not included in our comparable restaurant sales base, (ii) an increase in comparable restaurant sales and (iii) two additional operating days due to a change in our fiscal year end.

Restaurant-level operating margin

The decrease in International restaurant-level operating margin in fiscal year 2016 as compared to fiscal year 2015 was primarily due to: (i) higher commodity and labor inflation and (ii) higher operating expenses due to inflation. The decrease was partially offset by: (i) increases in average check per person and (ii) the impact of certain cost saving initiatives.

The increase in International restaurant-level operating margin in fiscal year 2015 as compared to fiscal year 2014 was primarily due to: (i) increases in average check per person and (ii) the impact of certain cost saving initiatives. The increase was partially offset by: (i) commodity inflation, (ii) higher kitchen and labor costs due to higher wage rates and higher average unit volumes and (iii) additional costs associated with the opening of our Abbraccio concept in Brazil.

Income (loss) from operations

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

The increase in International income from operations in fiscal year 2015 as compared to fiscal year 2014 was primarily due to: (i) a decrease in impairment and restaurant closing costs related to the International Restaurant Closure Initiative, (ii) lower general and administrative expense and (iii) lower depreciation and amortization expense.
General and

administrative expense for the International segment decreased primarily due to the impact of foreign currency translation, partially offset by increased compensation and benefits.

Non-GAAP Financial Measures

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

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

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

Based on a review of our non-GAAP presentations, we have determined that, commencing with our results for the first fiscal quarter of 2017, when presenting the non-GAAP measures Adjusted income from operations and the corresponding margins, Adjusted net income and Adjusted diluted earnings per share, we will no longer adjust for expenses incurred in connection with our remodel program or intangible amortization recorded as a result of the acquisition of our Brazil operations. We intend to recast the historical comparable periods presented in our future filings to conform to the revised presentation.

System-Wide Sales

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

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BLOOMIN' BRANDS, INC.
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Following is a summary of sales of Company-owned restaurants:

	FISCAL YEAR		
COMPANY-OWNED RESTAURANT SALES (dollars in millions):	2016	2015	2014
U.S.			
Outback Steakhouse	$2,180	$2,226	$2,168
Carrabba's Italian Grill	696	720	710
Bonefish Grill	617	623	609
Fleming's Prime Steakhouse & Wine Bar	285	280	275
Other	—	8	71
Total	3,778	3,857	3,833
International			
Outback Steakhouse-Brazil	303	283	310
Outback Steakhouse-South Korea (1)	90	172	239
Other	55	38	34
Total	448	493	583
Total Company-owned restaurant sales	$4,226	$4,350	$4,416

(1) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.

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

	FISCAL YEAR		
FRANCHISE SALES (dollars in millions): (1)	2016	2015	2014
U.S.			
Outback Steakhouse	$334	$340	$323
Carrabba's Italian Grill	11	9	4
Bonefish Grill	13	12	13
Total	358	361	340
International			
Outback Steakhouse-South Korea (2)	74	—	—
Other	111	115	122
Total	185	115	122
Total franchise sales (1)	$543	$476	$462
Income from franchises (3)	$20	$18	$17

(1) Franchise sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive Income.
(2) On July 25, 2016, we sold our restaurant locations in South Korea, converting all restaurants in that market to franchised locations.
(3) Represents the franchise royalty income included in the Consolidated Statements of Operations and Comprehensive Income in Other revenues.

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Adjusted restaurant-level operating margin

Restaurant-level operating margin is calculated as Restaurant sales after deduction of the main restaurant-level operating costs, which includes Cost of sales, Labor and other related and Other restaurant operating expenses. Adjusted restaurant-level operating margin is Restaurant-level operating margin adjusted for certain items, as noted below.

The following tables show the percentages of certain operating cost financial statement line items in relation to Restaurant sales on both a U.S. GAAP basis and an adjusted basis, as indicated:

	FISCAL YEAR					
	2016		2015		2014	
	U.S. GAAP	ADJUSTED (1)	U.S. GAAP	ADJUSTED (2)	U.S. GAAP	ADJUSTED (3)
Restaurant sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	32.1 %	32.1 %	32.6 %	32.6 %	32.5 %	32.5 %
Labor and other related	28.7 %	28.7 %	27.7 %	27.8 %	27.6 %	27.6 %
Other restaurant operating	23.5 %	23.5 %	23.1 %	23.1 %	23.8 %	24.0 %
Restaurant-level operating margin	15.8 %	15.7 %	16.5 %	16.5 %	16.1 %	15.9 %

(1) Includes adjustments for the reversal of $5.9 million of deferred rent liabilities, primarily related to the 2017 Closure Initiative and the Bonefish Restructuring, partially offset by $2.3 million of legal settlement costs related to the Sears matter. The reversal of the deferred rent liabilities and the legal settlement were recorded in Other restaurant operating.

(2) Includes adjustments for the favorable resolution of payroll tax audit contingencies of $5.6 million, partially offset by legal settlement costs of $4.0 million, primarily related to the Cardoza litigation. The payroll audit adjustment was recorded in Labor and other related and the legal settlement was recorded in Other restaurant operating.

(3) Includes adjustments, primarily related to a $6.1 million legal settlement gain and the reversal of $2.9 million of deferred rent liabilities associated with the International and Domestic Restaurant Closure Initiatives, which were recorded in Other restaurant operating.

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

The following table reconciles Adjusted income from operations and the corresponding margins, Adjusted net income and Adjusted diluted earnings per share to their respective most comparable U.S. GAAP measures for fiscal years 2016, 2015 and 2014: