

Bloomin Brands

4Q Quick Take: EPS beat as RLM offsets slight comp miss, light revenue

Maintain Rating: NEUTRAL | PO: 30.00 USD | Price: 26.20 USD

BLMN comps lag CDR peers

While BLMN EPS exceeded consensus (\$0.75 versus \$0.71/\$0.66 BofAE/VA cons), the composition – better restaurant-level margin (16.4% versus 15.2%/15.4% BofAE/VA cons) offsetting softer SSSG (-0.2% vs 0.6%/0.4% BofAE/ VA cons) – suggests that Bloomin continues to struggle to reaccelerate SSSG growth and is likely to need higher reinvestment to do so. Notably, the SSSG at BLMN's biggest brand – Outback (-0.3% versus -0.5%/0.2% BofAE/VA cons) – continues to lag its steakhouse peers' meaningfully (Texas Roadhouse reported 4Q SSSG of 9.9%). And while Carrabba's SSSG was slightly closer to cons (2.5% versus 2.0%/2.7% BofAE/VA cons), it was also modestly lower than segment leader Olive Garden (and was too small to offset Outback).

Tight expenses offset, likely signal need for reinvestment

The revenue miss (\$1.19bb versus \$1.20bb/\$1.363bb BofAE/VA cons) that resulted from lighter SSSG and lower Brazil sales (\$152mm versus \$174mm/\$175mm BofAE/VA cons) was more than offset by better restaurant level margin (16.4% versus 15.2%/15.4% BofAE/VA cons), driven by lower food costs as a % of revenue (29.9% versus 30.0%/30.5% BofAE/VA cons) and lower operating expense % (24.5% versus 26.7%/25.6% BofAE/VA cons). But even these margin components raise some flags, in our view, as food costs signal that there may need to be additional investments in value, while other operating expense suggests that advertising investments likewise need to tick up.

Adj. EPS guide in line with consensus, capex higher

The midpoint of Bloomin's adjusted EPS guidance is in line with consensus (\$2.59 versus \$2.59 VA cons), but capex is higher (\$280mm midpoint versus \$256mm VA cons), suggesting a more capital-intensive approach to growth. We believe that the combination of soft topline and guidance that is in line on earnings but higher on capex is likely to weigh on the stock. We maintain our Neutral rating and \$30 price objective.

Exhibit 1: BLMN's adj. EPS guide is in line with consensus

BLMN F24 guidance

			Avg	Consensus	vs Consensus
US SSSG	0%	2%	1%	1%	-0.3ppt
GAAP EPS	\$2.27	\$2.46	\$2.37	\$2.50	-5%
Adj. EPS	\$2.51	\$2.66	\$2.59	\$2.59	0%
Effective tax rate	14%	16%	15%	13%	1.6ppt
Commodity inflation	3%	4%	4%	N/A	N/A
CapEx (\$mm)	\$270	\$290	\$280	\$256	9%
New systemwide restaurants	40	45	42.5	38.7	10%

Source: Company reports, Visible Alpha

BofA GLOBAL RESEARCH

23 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	4,723.4	4,704.4
2025E Rev (m)	4,928.6	4,909.0
2023E EPS	2.86	2.87
2024E EPS	2.74	2.65
2025E EPS	3.02	2.93

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Stock Data

Price	26.20 USD
Price Objective	30.00 USD
Date Established	2-Jan-2024
Investment Opinion	C-2-7
52-Week Range	22.03 USD - 28.75 USD
Mrkt Val (mn) / Shares Out (mn)	2,414 USD / 92.1
Free Float	98.1%
Average Daily Value (mn)	35.33 USD
BofA Ticker / Exchange	BLMN / NAS
Bloomberg / Reuters	BLMN US / BLMN.OQ
ROE (2023E)	90.7%
Net Dbt to Eqty (Dec-2022A)	273.3%
ESGMeter™	Medium

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Timestamp: 23 February 2024 08:44AM EST

bb – billion
BLMN – Bloomin' Brands
BofAE – BofA estimates
CDR – Casual Dining Restaurant
Comps – comparable sales
cons - consensus
RLM – restaurant level margin
SSSG – same-store sales growth
VA – Visible Alpha



Exhibit 2: BLMN reported 4Q23 EPS ahead of consensus

BLMN reported 4QF23 results versus BofA and Visible Alpha consensus

	Reported 4Q22	Reported 4Q23	y/y change	BofAE 4Q23	Consensus 4Q23	Variance (vs BofAE) 4Q23	Variance (vs Cons) 4Q23
\$ in millions (except per share amounts)							
Restaurants (EOP) - US							
Outback	693	684	-1%	686	686	0%	0%
Carrabba's	218	218	0%	218	218	0%	0%
Bonefish	180	175	-3%	175	175	0%	0%
Fleming's	65	64	-2%	64	65	0%	-2%
Aussie Grill	7	7	0%	7	8	0%	-11%
Restaurants (EOP) - International							
Outback	344	329	-4%	339	338	-3%	-3%
Same Store Sales - US							
Outback	1.4%	-0.2%	-0.8 ppt	0.6%	0.4%	-0.8 ppt	-0.6 ppt
Carrabba's	0.9%	-0.3%	-1.4 ppt	-0.5%	0.2%	0.2 ppt	-0.5 ppt
Bonefish	2.8%	2.5%	-0.8 ppt	2.0%	2.7%	0.5 ppt	-0.2 ppt
Fleming's	3.1%	-3.0%	-1.1 ppt	2.0%	0.1%	-5.0 ppt	-3.1 ppt
Same Store Sales - International							
Brazil	15.3%	0.6%	-11 ppt	4.0%	4.1%	-3.4 ppt	-3.5 ppt
Total Revenue	\$1,091.9	\$1,194.2	9%	\$1,197.2	\$1,363.4	0%	-12%
Company operated revenue	\$1,079.8	\$1,177.4	9%	\$1,176.0	\$1,181.9	0%	0%
Franchised and other revenue	\$15.2	\$16.8	-9%	\$17.4	\$17.4	-4%	-4%
Total Revenue - US	\$951.2	\$1,042.4	10%	\$1,023.5	\$1,188.1	2%	-12%
Total Revenue - International	\$140.7	\$151.8	8%	\$173.7	\$175.3	-13%	-13%
Cost of sales	\$326.9	\$352.3	8%	\$352.2	\$360.0	0%	-2%
as % of company revenue	30.3%	29.9%	(35bps)	30.0%	30.5%	(3 bps)	(54 bps)
Labor and related	\$301.9	\$343.4	14%	\$330.6	\$336.8	4%	2%
as % of company revenue	28.0%	29.2%	121bps	28.1%	28.5%	106 bps	67 bps
Other restaurant operating	\$275.1	\$288.8	5%	\$314.2	\$302.5	-8%	-5%
as % of company revenue	25.5%	24.5%	(95bps)	26.7%	25.6%	(219 bps)	(107 bps)
Restaurant Level Profit	\$175.9	\$192.9	10%	\$179.0	\$182.6	8%	6%
Restaurant Level Profit Margin	16.3%	16.4%	9bps	15.2%	15.4%	116 bps	93 bps
D&A	\$44.4	\$49.3	11%	\$49.4	\$50.1	0%	-2%
Adjusted G&A	\$60.7	\$73.8	21%	\$65.2	\$63.5	13%	16%
G&A as % of revenue	6%	6%	11%	5%	5%	73 bps	152 bps
Provision for impaired assets & unit closings	\$1.9	\$34.4	1746%	\$0.0	\$1.4	#DIV/0!	2368%
Interest, Net	\$14.3	\$13.9	-3%	\$13.0	\$13.3	7%	5%
Income before provision (benefit) for income taxes	\$69.8	\$45.6	-35%	\$74.8	\$72.4	-39%	-37%
Income Taxes	\$9.7	-\$2.6	-127%	\$9.7	\$8.4	-127%	-131%
Tax rate	13.9%	-6.1%	(1,997bps)	13.0%	11.6%	(1,911 bps)	(1,772 bps)
Adj. Tax rate	14.9%	13.0%	(187bps)	13.0%	11.6%	0 bps	139 bps
GAAP EPS	\$0.61	\$0.45	-26%	\$0.67	\$0.66	-33%	-32%
Pro-Forma EPS	\$0.68	\$0.75	10%	\$0.71	\$0.68	6%	10%
Diluted Shares Outstanding	95.2	95.2	0%	94.1	92.5	1%	3%
Adj. EBITDA	\$134.5	\$139.0	3%	\$137.2	\$135.6	1%	3%
EBITDA Margin	12.3%	11.6%	(67bps)	11.5%	9.9%	18 bps	169 bps
Reported Net Income	\$60.1	\$43.3	-28%	\$65.1	\$62.4	-34%	-31%
Adjusted Net Income	\$62.4	\$68.0	9%	\$63.0	\$64.0	8%	6%

Source: Visible Alpha, Company filings, BofA Global Research estimates

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Price objective basis & risk**Bloomin Brands (BLMN)**

Relative to the S&P 500, BLMN's present P/E multiple is 0.4x, below its 5-year average (excluding the COVID-19 spike). We believe the multiple is unlikely to expand in the near term given the lack of visibility on the demand environment. We apply this multiple of 0.6x (10.1x absolute) to our 12 month forward estimates - 4Q24-3Q25 EPS of \$2.97- to arrive at our \$30 PO.



Downside Risks: 1) Bloomin' Brands same-store sales growth could be slower than expected if macro headwinds translate into lower restaurant consumption or sales driving initiatives lack traction, 2) Restaurant-level margins could come under further pressure if topline growth falters, 3) Normalizing G&A expense could pressure margins.

Upside Risks: 1) Same-store sales growth could exceed expectations if menu or marketing initiatives prove better than expected, 2) Cost saving initiatives could drive restaurant level margins above historical averages, 3) Ability to improve already low G&A expense ratio could support margins.

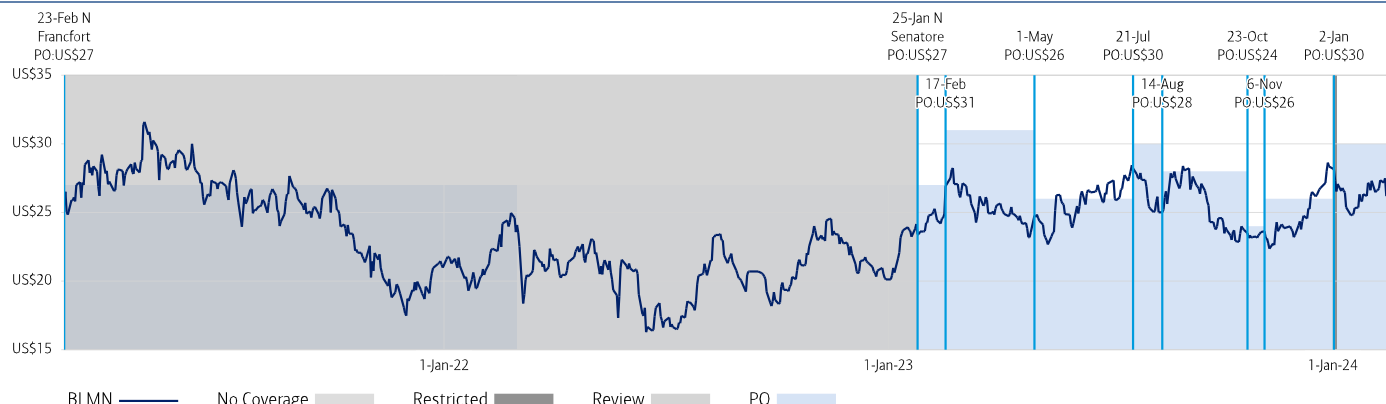
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Bloomin Brands (BLMN) Price Chart



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Equity Investment Rating Distribution: Restaurants Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	21	58.33%	Buy	10	47.62%
Hold	10	27.78%	Hold	3	30.00%
Sell	5	13.89%	Sell	4	80.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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