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EPS of \$0.58 **beats by \$0.01** | Revenue of \$1.05B (-12.19% Y/Y) **beats by \$17.45M**

Bloomin' Brands, Inc. (NASDAQ:[BLMN](#)) Q1 2025 Earnings Conference Call May 7, 2025 8:30 AM ET

Company Participants

Tara Kurian - VP, Corporate Finance & IR

Mike Spanos - CEO

Michael Healy - EVP and CFO

Conference Call Participants

Alex Slagle - Jefferies

Brian Harbour - Morgan Stanley

John Ivankoe - JPMorgan

Brian Mullan - Piper Sandler

Sara Senatore - Bank of America

Brian Vaccaro - Raymond James

Christine Koh - Goldman Sachs

Jared Hludzinski - BMO

Operator

Greetings, and welcome to the Bloomin' Brands Fiscal First Quarter 2025 Earnings Conference Call. At this time, all participants are in listen-only mode. A brief question-and-answer session will follow management's prepared remarks. Please note, this event is being recorded.

It is now my pleasure to introduce your host, Tara Kurian, Vice President, Corporate Finance and Investor Relations. Thank you. Mrs. Kurian, you may begin.

Tara Kurian

Thank you and good morning everyone. With me on today's call are Mike Spanos, our Chief Executive Officer; and Michael Healy, Chief Financial Officer and Executive Vice President.

By now, you should have access to our fiscal first quarter 2025 earnings release and our investor presentation slides, both of which can be found on our website at www.bloominbrands.com in the Investors' section.

Throughout this conference call, we will be presenting results on an adjusted basis. An explanation of our use of non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures appear in our earnings release on our website as previously described.

Before we begin formal remarks, I'd like to remind everyone that part of our discussion today will include forward-looking statements, including a discussion of recent trends.

These statements are subject to numerous risks and uncertainties that could cause actual results to differ in a material way from our forward-looking statements. Some of these risks are mentioned in our earnings release. Others are discussed in our SEC filings, which are available at www.sec.gov.

During today's call, we'll provide a brief recap of our financial performance for the fiscal first quarter 2025, an overview of company highlights and current thoughts on fiscal 2025 guidance. Once we've completed these remarks, we'll open the call up for questions.

With that, I would now like to turn the call over to Mike Spanos.

Mike Spanos

Thanks Tara and good morning everyone. Thank you for joining our first quarter earnings call. I will discuss our Q1 results and the progress we have made across our operating priorities of simplifying the agenda, delivering consistent execution, and turning around Outback. Michael will then review our financial performance for the quarter.

I want to start by thanking our team for their hard work and passion to serve each other and our guests. As I visit our restaurants, it only makes me more excited about our future potential.

We are not where we want to be, but I am encouraged by the progress we have made since our last earnings call on our operating priorities. Our focus on an operational mindset to deliver outstanding and consistent guest experiences will build the foundation for our turnaround.

Our first quarter results were within our expected guidance ranges, and we did see positive comp sales at Carrabba's and Fleming's. However, we underperformed the industry and lost share as defined by Black Box.

We are dissatisfied with our financial and market share results and know we need to do better. Although this will take time to reverse these trends given the state of the business, we will see steady improvement.

We had a disappointing February, including Valentine's Day week. We continue to operate in a choppy macro environment. In Q2, we have seen some consumer pullback with a softer Easter holiday than anticipated. We will meet the guests where they are with abundant everyday value to drive profitable in-restaurant traffic, which will pressure short-term margins.

Our Q2 and balance of year guidance assumes a continuation of this choppy macro environment and cautious consumer and the reality is we are in the early stages of a multiyear turnaround on Outback.

We will continue to be transparent on our results and our business as we progress throughout the year. We are focused on three operating priorities to build sustainable and profitable traffic and sales growth.

Let me provide an update on our progress across each priority. First, simplify the agenda. We are simplifying the agenda by focusing the team on fewer and bigger bets that are the most important to our guests and enable our team members to execute more consistently.

We discussed the organizational design initiative to become more effective and efficient. We have realized more savings in Q1 than originally forecasted as part of the org redesign. Additionally, we are scrutinizing all expenses and expect to be about \$10 million lower in G&A for the total year or a total of approximately \$215 million.

We have made progress on our menu item reduction. We are streamlining menus, both on and off-premise, removing items with low sales mix, low satisfaction scores or items that do not travel well. Outback's April menu has approximately 10% fewer items. And by the end of 2025, the Outback team will have reduced menu items by about 15%.

At Carrabba's the May menu will have 10% fewer items. At Bonefish, the April menu has 20% fewer items with quality enhancements and an elevated presentation. Fleming's summer menu will reduce items by approximately 10% and is integrating seasonal items into the core menu.

We have eliminated seasonal LTOs at Outback, which were complex and required incremental training every eight to 10 weeks. We are executing the Aussie 3 Course as our everyday value offer. The mix continues to be in line with our expectations and is proving to be a popular abundant everyday value platform.

This offer leverages core menu items. We expect to see stronger traffic lift attributed to Aussie Grill course in the back half of the year as the brand laps lower-performing promotions from 2024.

It is important to note that this offer did not have a large impact in Q1 as it was lapping the same promotion from 2024. We will continue to monitor the effectiveness of all value programs and iterate as needed.

Our second operating priority is to consistently deliver a great guest experience. We are working collaboratively with our supplier partners on how we can improve our food quality specifications. We are testing various menu items and proteins and are excited about the progress. More to come in future quarters on this work as we learn from our test restaurants.

Ziosk has been successfully rolled out across our Outback restaurants. We are receiving positive guest and Outbacker feedback on this technology. Over 85% of guests are using the tabletops to pay at the table, increasing table turns on average by about five minutes.

Customer feedback has been instrumental in providing real-time guidance by store and by shift to the managing partners. We are also getting immediate feedback as we test and learn.

Combined with AI tools, we will leverage this information to provide our managing partners with themes in specific areas to address in an efficient manner. Based on data from Ziosk and input from our operators, we believe that we can also efficiently enhance our service model to deliver a consistent guest experience.

We are looking at staffing levels, server to table station ratios and role definition. We want our managing partners coaching Outbackers and interacting with guests during peak hours to improve both the guest experience and throughputs. We will provide more updates as we learn more. The goal is to have a better experience for our guests and for our Outbackers.

As it relates to the asset base, the repair and maintenance survey is on track for completion by the end of Q2, and this will help inform our go-forward strategy on refreshes and remodels.

Our third priority is to focus on the turnaround at Outback Steakhouse. As I've previously stated, Outback is an amazing brand, and the steak category is doing well. However, we are not doing well. But what you get for what you pay for relationship is not working.

The good news is we know what is important to our guests, food quality, value and a consistent guest experience. We are starting to get good feedback from our test restaurants. We will continue to iterate and refine our efforts as part of our holistic strategic plan.

We are working diligently and urgently on our strategic plan. We know we need to make changes for the long-term health of the business. I cannot speak to these specific changes or investments at this time as we are in the middle of the work.

We will transparently communicate our plan and financial impact later in the year. This will take time to fix, but we are committed to getting it right. Our people are resilient, competitive, and want to win.

We will continue to take actions to improve our short-term results while making decisions that accelerate our strategic potential. We have hired a third-party consulting firm to help us with our strategy as well as with specific cost-saving initiatives. We anticipate that we will benefit from cost savings initiatives this year, and they will be key for self-funding future investments.

Lastly, our priorities remain reinvesting back into our restaurants, reducing our debt leverage post the Brazil transaction and returning capital to our shareholders. We are committed to getting our leverage back to below 3.0 times lease adjusted net leverage. We received the first installment of the Brazil proceeds on December 30th and applied the proceeds to our revolver balance. We intend to use the second installment to be received at the end of December this year towards our revolver as well. Our liquidity is ample and our cash flow is healthy.

With that, I would like to now turn the call over to Michael to review our financial performance.

Michael Healy

Thank you, Mike, and hello, everyone. I would like to start by providing a recap of our continuing operations financial performance for the fiscal first quarter of 2025. Total revenues in Q1 were \$1.05 billion, which is down 1.8% from 2024. The decrease in total revenues was primarily due to the net impact of restaurant closures and openings and a decrease in comparable restaurant sales.

U.S. comparable restaurant sales were negative 50 basis points and traffic was negative 390 basis points. While these results were in line with our expectations, they were below the casual dining industry. Average check was 3.4% in Q1 versus 2024 for our U.S. business, in line with our expectations.

Q1 off-premises was 23% of total U.S. sales. Our third-party delivery business is 11% of total U.S. sales, in line with last year. Our Q1 GAAP diluted earnings per share for the quarter was \$0.50 versus negative \$1 in 2024. Our Q1 adjusted diluted earnings per share was \$0.59 versus \$0.64 in 2024. \$0.59 was within our guidance range of \$0.55 to \$0.60.

The primary difference between GAAP and adjusted diluted earnings per share is due to approximately \$6 million of adjustments related to severance and other costs incurred in Q1 2025 as a result of the transformational and restructuring activities and approximately \$2 million of costs in connection with the foreign currency forward contracts that we entered into to partially offset the risk associated with the purchase price installment payments on the Brazil transaction. These adjustments were offset by approximately \$2 million in gains from certain lease terminations.

Q1 adjusted operating margins were 6.1% versus 7.8% last year. The 170 basis point difference between this year and last year was driven by overall adjusted restaurant level margin declined by 160 basis points.

COGS inflation was approximately 1.5%, in line with our expectations. Compared to last year, we had a slightly negative impact on our product cost mix as we used higher-priced inventory. This will continue to be a slight headwind in Q2, but we expect this will normalize in the second half of the year.

Labor inflation was 3.7% as we continue to experience inflationary pressure on wages. Restaurant operating expense was higher year-over-year, driven by higher operating and supply expenses, mainly due to inflation.

As it relates to our 33% retained ownership of Brazil, which is classified using equity method investment accounting, we recognized an impact of negative \$1.3 million in Q1. This was driven by the depreciation and amortization on the stepped-up fair value basis of accounting for the assets as well as interest expense for the acquisition debt on the company.

Turning to our capital structure. Total debt net of cash was \$860 million at the end of Q1. As a reminder, we received \$104 million from the first installment of the Brazil refranchising transaction and applied those proceeds to our revolver balance in the first quarter.

Our leverage metrics are 2.5 times on a net debt to adjusted EBITDA basis and 4.0 times on a lease adjusted net leverage basis. Reducing our debt leverage remains a primary component of our capital allocation, and we are committed to a lease adjusted leverage of less than 3.0 times.

We anticipate the next installment of Brazil proceeds to be received at the end of December this year to be approximately \$96 million and intend to apply that to our revolver balance.

The Board declared a quarterly dividend of \$0.15 a share that is payable on June 4th, 2025. We have \$97 million remaining under our share authorization program. We do not plan to execute share repurchases at this time.

Now, turning to our guidance for the full year and second quarter. We expect to be at the low end of our full year adjusted diluted earnings per share range of \$1.20 to \$1.40. This is before any additional investment in quality, value and execution as part of the turnaround.

This is driven by two primary reasons. First, we were notified in March that the Brazil tax benefit had been extinguished and no additional benefit would be recognized. This was an annualized \$15 million benefit to the entity.

In our prior guidance, we forecasted our 33% ownership would be profit neutral with the assumption that the tax benefit would be in place for all of 2025. We now expect our 33% ownership in Brazil to be an approximate \$5 million to \$7 million negative impact to our earnings this year.

We will continue to receive a healthy royalty stream as part of the refranchise agreement, and we remain very optimistic on the long-term growth of Outback Brazil with our continued partnership with Vinci.

Second reason is related to the overall choppy macro environment and cautious consumer. We anticipate having to be fluid in our abundant everyday value offerings. We would expect our PPA to be slightly lower, driven by mix investments to support value offers. We will assess the health of the consumer and adjust accordingly.

We wanted to provide an update on the tariff situation. The environment continues to be volatile and difficult to predict. We are working directly with all of our suppliers to mitigate the impact, build inventory, and shift sourcing locations.

We estimate the potential impact range to be between 20 and 40 basis points to restaurant level margins in 2025, primarily in the second half of the year if implementation continues. Given the uncertainty, this impact is not included in our guidance range. We will provide updates as this situation is clarified.

With the expectation to be on the low end of the adjusted diluted earnings per share range, we would expect to be in a tax benefit situation, which is driven by the tax benefit of FICA tip credits relative to lower earnings. We are prudently managing our expenses given the choppy macro environment. Additionally, we expect to be on the low end of our capital guidance range of \$190 million to \$210 million.

As it relates to the second quarter 2025, we expect U.S. comparable restaurant sales to be between negative 250 basis points and negative 150 basis points. We expect Aussie 3 course to be a stronger impact on our sales in the back half of Q2. We expect Q2 adjusted diluted earnings per share to be between \$0.22 and \$0.27.

With softness in Valentine's Day week as well as Easter, our forecast assumes similar holiday trends for both Mother's Day and Father's Day, which will have a material weight on the quarter.

This earnings per share range does not include an estimated negative impact from our 33% Brazil ownership to be approximately negative \$1.5 million to negative \$2 million.

And with that, we want to open up the call for questions.

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions]

The first question comes from Jeff Bernstein, Barclays. Please go ahead.

Unidentified Analyst

Hi, good morning. This is Pratik on for Jeff. Thanks for the question. Mike, just a bigger picture question on the outlook for the remainder of the year. It seems like the casual dining industry actually held up quite well in April if looking at Black Box data.

And you've kind of outlined in your prepared remarks of just how some of the maybe value perception at Outback are a little bit out of sync right now. But just any kind of learnings that you've seen in recent weeks that can kind of give you confidence that the plan is on track and the simplification of the menu, the simplification of the operations, just where are the biggest opportunities still? And where is there still more work to be done? And then where do you kind of see the best opportunity for kind of an inflection to positive comps?

Mike Spanos

Yes. I appreciate the question. A few parts. I'd say, one, you're right, we're not happy with our performance in terms of our results versus Black Box. We are losing share. Second, we do feel good about our progress on the operational priorities. We've been focused on getting simplification right, getting value right and improving our consistency of execution. And I feel very good about our progress there.

Third, in terms of the consumer short term, our outlook for the year assumes that we're going to continue to see a choppy environment. What we saw Valentine's Day and Easter is assumed in our balance of the year assumptions, especially as we're looking at Q2, Mother's Day and Father's Day. That's the assumption.

Longer term, where you might -- where you were going is we know that right now, what you get versus what you pay for proposition needs to improve. And that's embedded in our strategic work. We're working urgently on that, deliberately on that. And as we complete that work, we'll communicate that balance year.

Unidentified Analyst

Got it. I appreciate that. And then just as a follow-up, can you talk about the value mix today at Outback relative to where it was in the past? And with all these menu modifications, where you kind of see it going longer term? And just how you're thinking about the profitability of the value offer, especially with beef prices kind of remaining pretty high and stubbornly high even?

Mike Spanos

Understand. Well, first, we know right now, we're priced higher than our competition. And that is one item area in terms of the value proposition we need to fix strategically. We also need to be surgical where we put that value, so it's profitable traffic, profitable comp sales and also it's easy to execute for our Outbackers. And that's how we're looking at it.

Unidentified Analyst

Thank you very much. I appreciate it.

Operator

The next question comes from Alex Slagle with Jefferies. Please go ahead.

Alex Slagle

Thanks. Good morning. Just wondering if you could expand on the softer holiday special occasion trends you're seeing. I would have thought these would have been a place where maybe consumers' frequency would hold up a little bit better and maybe be the last place to fall off. But any thoughts there on why you think you're seeing that?

Mike Spanos

Hey Alex, good morning. We had decent results, actually good results in some of the brands for the holidays. They just weren't as strong as what we had anticipated. I think that's the biggest thing. If we look at the trends in Q4 moving past Valentine's Day, specifically where we saw the most pressure is the households under \$100,000. They seem to be the most pressured.

We're seeing apps and desserts hold up well. It's liquor beer wine that started to tick down a bit. And we're just seeing a consumer that's just being very cautious, watching their spending.

Alex Slagle

Okay. And then on the same-store sales and traffic performance versus the benchmarks, any more way to dial down a little bit more just versus your closest peers for Outback and Carrabba's and how the share trends look on a more granular basis?

Mike Spanos

Well, I think in terms of share, it's a cumulative effect. We know the entire value proposition, we got to fix it. And it's a function of food quality. It's a function of value, value, it's a function of price and benefits, and there's a consistency of execution.

So, I don't think it's going to happen overnight. We didn't get here overnight, and we're very much in the early stages of the turnaround, but it's all of that combined. And we're going to just keep making the right short-term decisions that enable our long-term success.

Alex Slagle

Okay. Thanks.

Operator

The next question comes from Brian Harbour with Morgan Stanley. Please go ahead.

Brian Harbour

Yes, thanks. Good morning. What was the price and mix component of same-store sales in the quarter? And I guess just -- it sounds like you may think that there's more mix impact from what you're doing on value going forward into the 2Q? I guess that was sort of an Outback specific comment. But could you just comment on what you saw and what we should expect there?

Mike Spanos

Yes. So, mix was relatively flat in Q1. We do expect to see a bit of a check down as we get into Q2. Part of this is with the Aussie 3 Course promotion, we are lapping that same promotion from last year. It definitely has a lower check than prior other promotions. And so we expect to get some traffic benefit from that promotion as we get into Q2, but we'll have some mix impact as well.

And we're looking at other offers besides those value offers where we're going to have to infuse more value to motivate our guests in this choppy environment. And so we're actively looking across that, and that will touch all channels as well.

So, mix in Q2, we would expect to be down 1% to 2% as we think about what we need to do to connect with our guests.

Brian Harbour

Okay. Thanks. We're -- it sounded like you're contemplating sort of labor investments or maybe it's staffing model changes. Is that -- are you actively doing anything there yet in your guidance, have you sort of assumed that there's an impact on labor costs from changes there?

Michael Healy

Brian, it's Mike. No, we are testing service models, I mentioned in the remarks, and it's based on what our Outbackers are telling us specifically. We believe we can efficiently enhance our service model to deliver a better consistent guest experience. So, we are looking at our staffing levels. We're looking at server to table station ratios.

We're looking at the roles of the bussers and the server assistance and also where our managing partners are spending their time to drive throughputs and a great guest experience. So, any labor investment is not in our guide.

Brian Harbour

Okay. Thank you.

Operator

The next question comes from John Ivankoe with JPMorgan. Please go ahead.

John Ivankoe

Hi. The question is on the range of performance that we're seeing in the Outback brand, whether nationally, regionally, even within a market, I mean, what's kind of distinguishing the well-performing stores versus the low-performing stores and you can handle that question either year-over-year or just in terms of the average unit volume disparity within the brand that might exist nationally.

Mike Spanos

Morning John. How are you doing? So, tactically, we've seen a little more softness in the short term in Texas, Florida, some of the Southeast, Southwest. But broader, it's really about consistency of execution. It's about having good continuity of managing partners.

And when you -- when we dial up what matters in terms of the brand because we have an amazing brand. When we get the quality right, we get the value right, we get the consistency of experience, and we've proven to ourselves in a number of places when we do it right, we feel great about the AUVs, and we feel great about what we're delivering in terms of restaurant margins, tenure, continuity. That's the fundamental bottom-line when it comes to great consistent performance.

John Ivankoe

Okay. Yes. And that obviously makes sense. And let me pivot to another question, if I may. What are the employees, whether it's a managing partner at the store, whether it's the hourly employees, I can certainly imagine what the customers might be asking for from the brand?

But when you've done your listening tour and you've been able to spend more time in market in store, which I know you have a lot of passion for doing, what are the employees specifically asking more of? How are you planning on making the experience better for them?

Mike Spanos

John, they're consistently telling me they want a simpler, easier way to execute to the guests. They want less complexity, and they want to win. That's fundamentally what they're all saying. And they're pointing to areas in food quality. They're pointing to areas of value we should be focused on.

And they're really giving me great advice on consistency of execution, both back of the house and front of the house, what that looks like. And that's embedded in the strategic work we're doing. We're taking their feedback whether it's the service model, we're looking at quality across all of our proteins. That's all in everything we're including in the go-forward work.

John Ivankoe

Thanks.

Operator

The next question comes from Brian Mullan with Piper Sandler. Please go ahead.

Brian Mullan

Thanks. Kind of following up on the reducing complexity you just talked about. Just at Outback, it sounds like you reduced the menu by 10% in April. It sounds like you're going to do some more by the end of the year.

Can you just talk a bit about any early guest reaction so far, employee feedback impact operations? And then just talk about like how you chose what you reduced so far versus what you'll be looking for when you reduce more over the course of the year?

Mike Spanos

The feedback is very consistent between the guests and our Outbackers. We're focusing on if a menu item has low satisfaction, it drives complexity and it doesn't deliver consistent execution, then we're taking it off the menu. And what we're doing is -- and the nice thing is with Ziosk, it gives us even more immediate feedback on those items by menu item between the guests and with our Outbackers.

And that will be an iterative process across all the brands. We'll continue to dial in what the guest tells us and what our team members tell us in terms of satisfaction rates and intent to return and removing complexity.

Brian Mullan

Okay. Thanks. And then I just wanted to ask about marketing also Outback. I know it's very early stages of the turnaround. It's going to take some time. But just when do you envision marketing being able to become a bigger part of this?

How do you balance waiting until you know what you want to talk about, knowing that the guests will have the good experience once you're ready to drive them to the box versus kind of trying to move the needle on the business more near term? Just how you think about that?

Mike Spanos

Big part of the strategic plan we're doing is the brand positioning on Outback. And that will include just how we position the brand, but it also goes back to the quality, the value, the consistency of the guest experience. That's going to be our best marketing tool to recruit and retain guests.

Operator

The next question comes from Sara Senatore with Bank of America. Please go ahead.

Sara Senatore

Thank you. I guess I wanted to ask about the restaurant level margins. Obviously, I think a lot of what you're talking about reinvesting in value and potentially labor is the margin is pressuring -- wouldn't pressure margin.

Are there offsets, which is to say, I mean, obviously, if you get traffic growth, that cures a lot of ills. But as you think about menu simplification, does that translate into actual labor savings? Or again, is it really about if the traffic shows up more productivity?

And I guess the bigger question is the structural kind of margin rate that your restaurant should have, how do you think about that and just the broader P&L? Maybe you should be lower on G&A going forward as you found these savings and -- but also maybe lower on restaurant level margins. Anything on kind of short term, but then also earnings power? Thank you.

Mike Spanos

Yes. As we think through kind of working through the process and potential investments, we're absolutely looking at funding opportunities. And the simplification in the restaurants in and of itself isn't going to present a ton of funding opportunities. There's certainly some simplification, less training on new LTOs, those types of things, but we'll repurpose those dollars to focus on quality and consistency of execution.

I think as we think of funding components, obviously, we made a large move on G&A in the last quarter. As we shared, we're continuing to look at other costs from a G&A perspective.

But we also -- as we think about the partnership we have with a third party, certainly, part of that is to help us piece together the holistic strategy, but a lot of it is deep dives in some up channel costs as we think about the business. So, we're certainly looking at different ways that we can fund any potential investments.

Sara Senatore

And four-wall margins just over time?

Mike Spanos

Yes. Ultimately, there will be a bit of pressure, right, as we're in the early stages of the turnaround. And eventually, the payoff will be more consistent traffic. Our goal will be to try to offset as much as that potential investment in the near term as possible.

Sara Senatore

Okay. Thank you.

Operator

The next question comes from Brian Vaccaro with Raymond James.

Brian Vaccaro

Hi thanks and good morning. Mike, I guess the question is on Outback and just thinking about the traffic declines and the underperformance versus the Steakhouse period in the last few years. Do you have any line of sight or data on how the composition of the Outback customer base has changed over the last few years?

I'm curious if you lost traction with a certain consumer cohort, maybe a younger guest, what have you or maybe an income level. Any insights around those dynamics you'd be willing to highlight?

Michael Healy

Morning Brian. We do, we have plenty of data in terms of cohorts, age, ethnicity, geographic, et cetera. We're very clear on it. What I've seen and what's been most concerning is the under \$100,000 household has been the biggest pain point for us over the last few years.

If I go back to 2019, what we are seeing though is when we get it right, it's an amazing brand. When we get the quality right, we get the value right, we get the experience right. We get households coming in, whether they're greater than \$150,000 or they're less than \$100,000, and that's what we need to do.

Brian Vaccaro

All right. That's helpful perspective. Thank you. Healy, on the annual guidance, I just want to make sure I heard correctly. The annual guide, it does not include the negative impact of the Brazil equity and earnings, and it also does not include any tariff impact?

Michael Healy

No, it includes the Brazil, the 33% ownership of Brazil. It includes that. It does not include tariffs. Ultimately, tariff is a bit of a wildcard right now. And the team is -- we have a great team. They're working as active as possible to mitigate any of that risk, but tariffs impact is not included.

Brian Vaccaro

Okay. Thanks for that. And then last one for me, just quickly on the commodity outlook. Has there been any change to your up 2.5% to 3.5%? And I guess if we could set aside tariffs, if that's possible, maybe not. But on beef specifically, too, we've seen some pressure in the spot market on certain state cuts. Just love to get your view on sort of the beef outlook, what you're hearing from your suppliers in terms of supply and demand dynamics, et cetera? Thank you.

Mike Spanos

Yes. No changes to commodities, no changes to beef. As you may recall, we structure our beef contracts. So, we lock in a price, certainly allows us to benefit to upside, but protects us on the downside. And so obviously, there could be impacts from kind of the larger macro or some of the tariff components. But right now, we're pretty well protected on beef and so no issues.

Operator

The next question comes from Christine Koh with Goldman Sachs. Please go ahead.

Christine Koh

Thank you so much for taking the question. So, could you share a little bit more color on the test that you had in the 14 stores during the quarter just in terms of what you're seeing in traffic, guest intent to return, employee engagement and profitability in these test stores?

And what do you really need to see to gain confidence in a full rollout? And in a timing perspective, is something that you can implement relatively quickly into all your stores once you make that decision? Thank you.

Mike Spanos

Morning Christine. We're very encouraged by what we're seeing in the test stores, the 14 stores in terms of what we're seeing in food quality, value and consistency of guest experience. But we're also very much in a learning stage here. So we are moving urgently to learn, but I want to be very deliberate to get it right. And as we get feedback from our Outbackers, we get feedback from our guests.

And again, the beauty of Ziosk is we're able to get that guest feedback very quickly to adjust and learn. And that will enable and really accelerate our longer-term strategic plan as we make the right decisions of resources into Outback for long-term sustainable, profitable traffic and comp sales growth.

Christine Koh

Thank you.

Operator

The next question comes from Jared Hludzinski with BMO. Please go ahead.

Jared Hludzinski

Good morning. Thanks for taking the question. Based on what you're seeing in the current macro backdrop, do you believe your current value construct is working as intended across brands? And do you see any reason for change?

And then last call, you discussed negative mix from value embedded in guidance assumptions. Has that assumption changed at all? Thank you.

Mike Spanos

We -- so as I said, on the macros, we do expect a choppy environment balance year, and that's embedded in our full year outlook, and it's embedded in our Q2 outlook for Mother's Day and Father's Day.

In terms of the value, as I said, I do think we've got to deal with the value proposition, especially at Outback. And we're going to continue to react and listen to our customers and our guests. It's iterative, which is why we're doing Aussie 3 Course.

We made a distinct decision looking at the success of that program last year that we know it resonates with our guests. It resonates with those guests that need affordable entry into steak and many of the proteins. But we're going to continue to iterate across all the brands. I don't think the revenue management is a static dynamic. It's very fluid.

Jared Hludzinski

Great. Thanks. And then curious how you're seeing guests interact with Outback's Aussie 3 course pricing tiers. I know last call, you discussed leading with the \$14.99 tier, but a significant number of guests trading up to the \$17.99 or \$20.99 tier. Wondering if this is still the case and maybe how you've seen the mix of guests at the \$14.99 tier change relative to last quarter? Thank you.

Michael Healy

You bet. First of all, Aussie 3 Course had pretty limited impact in Q1 because we're lapping the same promotion from last year. But we feel good about the mix. It's very much in line with our expectations. And we've now got it as a core menu item starting in June.

And I like that because we can execute at a higher level. It's on the base menu. It's easier for our team in the back of the house. So, we do expect a better momentum out of it in Q2 and actually more second half of the year. And that's embedded in our mix assumptions that Michael talked about.

I would also say, again, we're going to continue to iterate and refine all these offers. We are seeing a nice trade-up into the \$17.99 and the \$20.99 levels, and we're seeing a good amount of trade-up on the desserts as well. So, when we get it right, our guests trade up and they feel good about the proposition and they'll pay more for more.

Jared Hludzinski

Great. Thank you very much.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mike Spanos for any closing remarks.

Mike Spanos

Thank you once again for your investment and support of Bloomin' Brands. I want to close by thanking our people. I greatly appreciate their passion for our guests and each other, their hard work, and their excellence.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect. Good bye.

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