

Bloomin' Brands, Inc. (BLMN) Q1 2026 Earnings Call Transcript

May 06, 2026, 6:21 PM ET | Bloomin' Brands, Inc. (BLMN) Stock



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Q1: 2026-05-06 Earnings Summary

Insights



EPS of \$0.67 **beats by \$0.10** | Revenue of \$1.06B (0.96% Y/Y) **beats by \$18.02M**

Bloomin' Brands, Inc. ([BLMN](#)) Q1 2026 Earnings Call May 6, 2026 8:00 AM EDT

Company Participants

Tara Kurian - Senior VP of IR, FP&A, and International

Michael Spanos - CEO & Director

Eric Christel - Executive VP & CFO

Conference Call Participants

Alexander Slagle - Jefferies LLC, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Brian Harbour - Morgan Stanley, Research Division

Jeffrey Farmer - Gordon Haskett Research Advisors

Sara Senatore - BofA Securities, Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

Christabel Rocha - JPMorgan Chase & Co, Research Division

Brian Vaccaro - CGS International

Presentation

Operator

Greetings, and welcome to the Bloomin' Brands Fiscal First Quarter 2026 Earnings Conference Call. [Operator Instructions] It is now my pleasure to introduce your host, Ms. Tara Kurian, Senior Vice President, IR, FP&A and International. Thank you, Ms. Kurian. You may begin.

Tara Kurian

Senior VP of IR, FP&A, and International

Thank you, and good morning, everyone. With me on today's call are Mike Spanos, our Chief Executive Officer; and Eric Christel, Executive Vice President and Chief Financial Officer. By now, you should have access to our fiscal first quarter 2026 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 and investor presentation 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 2026, current thoughts on fiscal 2026 guidance and an update on our turnaround strategy. 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.

Michael Spanos

CEO & Director

Thanks, Tara, and good morning, everyone. On today's call, I will discuss our first quarter results and provide an update on our turnaround strategy. Eric will then review the financials and our guidance. I want to start by thanking our teams in the restaurants and the restaurant support center for their hard work and dedication to our business and our guests.

They supported their local communities by operating safely during some challenging weather conditions this quarter. The team focused on controlling what they could control, delivering a great experience to our guests while also driving productivity. Turning to our first quarter results.

We launched our turnaround strategy in Q4 of last year with a focus on consistent execution across food, service, experience and value to deliver a great guest experience at Outback Steakhouse. This focus is driving improvement in underlying guest metrics, reinforcing our belief that we are on the right track to deliver sustainable traffic and profit growth.

Outback's guest metric scores increased year-over-year for the third consecutive quarter. In Q1 of this year compared to Q1 of last year, Outback's brand trust increased by 4 points, guest scores increased across service by 6 points, value by 5 points, atmosphere by 5 points, food by 4 points and intent to return by 4 points.

Given that our average guest visits approximately twice per year, we expect the cumulative impact of these initiatives to become increasingly visible in traffic momentum as more guests experience the improvements we have made. I will share more detail of our progress shortly. Our Q1 U.S. comparable restaurant sales were positive 90 basis points with traffic down 180 basis points.

We experienced approximately 240 basis points of weather impact this year, driven by the winter storms experienced in the earlier part of the quarter. This was lapping approximately 130 basis points of negative impact from Q1 last year. Although we trail the industry as defined by Black Box by 30 basis points on comp sales and 70 basis points on traffic, we continue to narrow the gap versus the industry each quarter.

We remain focused on improving the what you get for what you pay for value equation, which is driven by consistent execution in the restaurant, combined with offering affordable entry price points to meet the guests where they are economically across all of our casual dining brands.

Outback's Q1 comp sales were down 30 basis points with traffic down 240 basis points. As we mentioned in our previous earnings call, in comparison to Q4 2025, we adjusted our offers in 2026 to be more balanced across check average and traffic. Outback continues to drive traffic and loyalty from the Aussie Three Course offering with about 60% of our guests trading up from the entry price point of \$14.99 and into the higher tiers of \$17.99 and \$20.99 and approximately 20% trading up on the dessert option.

Carrabba's comp sales were up 130 basis points with traffic of negative 270 basis points. This is the fifth consecutive quarter that Carrabba's drove positive same-store sales growth, driven by their continued focus on the in-restaurant experience. From experiential wine dinners to revamped Happy Hour and our recently launched day of week offers, we are seeing positive results and guest satisfaction. Bonefish's comp sales were up 610 basis points with traffic of positive 300 basis points.

Bonefish has steadily improved traffic growth, driven by the team's focus on compelling day of the week offers like Martini Mondays and Bang Wednesdays and prefixed lunch affordability offers. Fleming's comp sales were up 80 basis points with traffic down 290 basis points and reflects the seventh consecutive quarter with positive comp sales growth.

Team has capitalized on special occasions and created experiential events with approachability to drive demand while remaining focused on elevating service to create memorable experiences for our guests. I would now like to update you on our turnaround strategy focused on Outback Steakhouse.

Our strategy is based on 4 strategic platforms, which are to: first, deliver a remarkable dine-in experience; second, drive brand relevancy; third, reignite a culture of ownership and fun; fourth, invest in our restaurants. These platforms will be supported by non-guest-facing productivity savings, balanced capital allocation and a strong management team.

Starting with an update on the first platform to deliver a remarkable dine-in experience. In November last year, we launched our new steak lineup as part of our commitment to steak excellence. This is a critical component to delivering a remarkable dine-in experience at Outback, and our Outbackers are proud to serve our best steak lineup.

We are excited that all of our craveable steak cuts and burgers are scoring high in the top box of menu satisfaction, and we continue to have strong and improving guest satisfaction and reorder intent scores driven by our tender sirloin, standout barrel cut filet, our new signature Delmonaco Boneless ribeye, new 20-ounce bone-in ribeye and new 0.5 pound burger that you can also get with great tasting Bloom petals.

We are very pleased with what we are seeing from the new steak lineup. The commitment to steak quality is complemented by a relentless focus on consistency of execution. In the Outback principles and beliefs, we commit that close is never good enough for Outbackers. Our Outbackers are leveraging the tabletop Ziosk data, both from guest feedback as well as specific KPIs to drive accountability and close any gaps in performance across restaurants.

Specific to steak quality, the team is conducting monthly steak reviews and training to build consistency and accuracy by each multiunit leader. We are recognizing our top performers and coaching the bottom-performing restaurants to drive consistency of execution and bring them up to brand average.

As we hone in on our consistency of execution on steak accuracy scores, we are measuring intent to return, food quality and overall service scores. The Ziosk data, combined with guest feedback enables our multi-unit leaders and managing partners to quickly coach and provide feedback by location and by shift. We believe our focus on consistency of execution has translated into improved brand scores.

As I mentioned earlier, we had the third consecutive quarter of year-over-year improvements in Outback guest metric scores. Moving to the next element of a remarkable dining experience, Craveable Service. Last year, we identified that our 1 server to 6 table station ratio during peak hours didn't provide the right level of guest interaction and Outbacker satisfaction.

We tested and validated that a reduced ratio of 4 tables per server during peak times enables our Outbackers to provide a more consistent and enhanced experience for our guests. We are pleased to have kicked off this new service model in April. As part of the national rollout, we are gathering feedback from our guests and Outbackers as well as using the Ziosk tabletop data to measure specific KPIs, including intent to return, server attentiveness, overall service scores and labor scheduling.

We will provide a more meaningful update on the progress of this turnaround initiative on our next earnings call. Our second strategic platform is to drive brand relevancy at Outback and differentiate the brand. The core of our Aussie brand roots is inviting customers to come as our guests, leave as our mate with a sharpened brand positioning centered on steak leadership, craveability and a casual fun environment.

We continue to plan for an increase in marketing spend year-over-year concentrated in the second half of this year, which comes after our investments in steak quality and the service model enhancements. Marketing will bring them in, but consistent execution brings the guest back. More to come on this platform later this year. Reignite a culture of ownership and fun is our third strategic platform.

Our people are the key to our turnaround, and we remain focused on our managing partners. Their names as value leaders are above the door of each restaurant. We know that to retain and recruit the best partners, they need to be compensated competitively and incentivized to drive operational performance. The goals of our updated MP compensation model are simple.

First, ensure total compensation is competitive with the local market; and second, aligning total compensation to the growth of sales and profit of the restaurant. Through these changes, we are able to create a competitive compensation program that continues to drive accountability and ownership. [indiscernible] rollout of changes across our managing partner group in April will continue the changes through the balance of this year.

We know that when we take care of our Outbackers, they serve our guests with pride and ownership. Lastly, let me update you on our fourth strategic platform, invest in our restaurants. Our goal is to touch nearly all the Outback restaurants by the end of 2028 with targeted initiatives to refresh the interior and exterior, expecting to spend on average between \$350,000 and \$400,000 per location.

With this asset refresh approach, we are focusing on guest-facing areas, the areas that make a positive impact on restaurant ambiance. Additionally, we have started to expand the char grill capacity in our Outback locations to support the steak lineup and expect to be done by the middle of this year.

Let me now turn it over to Eric to review our financial performance for Q1 and guidance for Q2.

Eric Christel*Executive VP & CFO*

Thank you, Mike, and good morning, everyone. I would like to start by providing a recap of our continuing operations financial performance for the fiscal first quarter of 2026. Q1 total revenues were \$1.06 billion compared to \$1.05 billion last year, reflecting a 1% increase. Restaurant sales were up, driven by positive comparable restaurant sales.

This was partially offset by a decline in franchise revenue as Q1 last year included 1 additional month of intercompany Brazil royalties. As Mike mentioned, U.S. comparable restaurant sales were up 90 basis points and traffic was down 180 basis points. We remain very focused on narrowing the gap to the industry in the near-term and positioning ourselves to lead the industry long-term.

Average check increased by 270 basis points compared to 2025, with pricing offset by negative mix as we continue to invest in affordable offers for our guests. Off-premises sales were 23% of total U.S. sales in the quarter, consistent with Q1 last year. Outback's off-premises mix were 25% in the quarter and Carrabba's were 33%. Our GAAP diluted earnings per share was \$0.64 compared to earnings of \$0.50 per share last year.

Our Q1 adjusted diluted earnings was \$0.67 per share versus earnings of \$0.59 per share last year. The difference between GAAP and adjusted GAAP operating results is approximately \$3 million of adjustments in Q1 2026, primarily as a result of transformational and restructuring activities. Q1 adjusted operating margins were 5.9% versus 6.1% last year.

This is down 20 basis points despite an increase in restaurant margin and more favorable depreciation and G&A due to higher impairment and restaurant closure costs year-over-year. Within restaurant margin, COGS and labor were both slightly elevated compared to last year, driven by commodities inflation of 4.6%, labor inflation of 3.1% and an increase in health insurance expense.

This was offset by lower other restaurant operating expenses driven by lower advertising spend and an improvement in productivity initiatives. As it relates to our 33% retained ownership from Brazil, which is classified as an equity method investment, we recognized a loss of approximately \$200,000 in Q1. We still expect the full year loss to be approximately \$3 million to \$4 million. Turning to our capital structure in Q1. Total debt net of cash is \$681 million.

As of the end of Q1 2026, our leverage metrics were 3.8x on a lease adjusted net leverage basis and 2.2x on a net-debt-to-adjusted EBITDA basis. Capital expenditures in the quarter was \$25 million. We would expect expenditures to be higher in the remaining quarters of 2026 as the timing of refreshes and remodels ramps as we move through the year.

We still expect the full year capital expenditures to be in the range of \$185 million to \$195 million. As we mentioned in the last call, our capital allocation priorities are to: one, invest in the base business; and two, pay down debt. Turning to our guidance this year. As it relates to the full year fiscal 2026, we reiterate the guidance for the full year communicated on our last earnings call in February.

As it relates to the second quarter of 2026, we expect Q2 U.S. comparable restaurant sales to be between 1% and 2%. We expect Q2 adjusted diluted earnings per share to be between \$0.27 and \$0.32. We expect the tax benefit to be between \$4 million and \$5 million in the quarter. We expect our 33% Brazil EMI to be between approximately negative \$1.2 million and negative \$1.7 million.

Let me now turn it back over to Mike.

Michael Spanos
CEO & Director

Thanks, Eric. While it's still early innings in our turnaround, we are highly confident that our strategy will put Outback Steakhouse in the right course for sustainable long-term profitable growth. The brand is strong.

Our confidence is based on the foundation of a strong management team with extensive years of restaurant operating experience, positive guest feedback as demonstrated by our improvements in leading guest indicators over 3 quarters and the excitement and pride to serve our best steaks from our Outbackers.

Overall, we have a clear strategy in place, which is to: one, deliver a remarkable dining experience, improved steak quality, enhanced service and consistency of execution; two, drive brand relevancy to differentiate Outback; three, reignite a culture of ownership and fun with a commitment to our people; four, invest in our restaurants to refresh approximately 100% of Outbacks by 2028.

Strategy is supported by non-guest-facing productivity savings with a balanced capital allocation. Our leadership team is aligned and committed to the turnaround. We will continue to be transparent in our progress and our actions. Lastly and most importantly, I want to thank our people in the restaurants and restaurant support center for making this strategy a reality, both in terms of their exceptional input and hard work to make it happen at the moment of truth with our guests.

With that, let me open up the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question for today will come from Alex Slagle with Jefferies.

Alexander Slagle

Jefferies LLC, Research Division

Congrats on the momentum here. I guess I wanted to start on Outback and I mean it looked like the check growth was pretty solidly positive. And I know there was some more pricing, but it seems like the mix component of check also seems to stabilize after being more negative in recent quarters.

Just wonder if you could break that down a bit and your outlook for 2Q and beyond, if that sort of check and that mix component can be a little bit less negative than it's been for a while. And I know Carrabba's also had pretty solid check growth, but you could touch on that.

Michael Spanos

CEO & Director

Good morning Alex. Yes, I'm really pleased and excited about the progress we had at Outback. I think it's great what we've said we would do and what we've accomplished executionally. And on your point about pricing, the way I look at it is our check average at Outback is going to grow by about 2.5% to 3%.

It's very balanced. And we talked about this in Q4. If you remember, as we were doing some test and learn, the mix got a little heavier than we liked. We got much more disciplined in terms of the mix. And we've been balanced, and we'll continue to be balanced across the levers of traffic, how we think about inflationary pricing, how we think about mix and reinvesting that pricing, a portion of it back into affordable entry price points.

And that's why all of our casual dining brands have provided those affordability price points. The latter part of your question, if you look at the full year, the way we're looking at the balance is you should assume -- we know we're expecting about 4.5 to 5.5 points of commodity inflation.

We're balancing that with -- that's really predicated on we got high single-digit inflation on beef. By the way, that's in our guidance, and we're locked for the year on our beef. We exited 2025 with about 3.5 points of pricing.

Full year is probably about 4 to 5 points of pricing. But remember, 2 points of that is carryover from 2025. And the other half of that pricing is actions we've taken into 2026. So again, it gets back to what I said, the net on a per check average gets to that 2.5% to 3%, which we think is the right balance in terms of how we're dealing with the guests in the commodity environment.

Alexander Slagle

Jefferies LLC, Research Division

Okay. Makes sense. And a question on labor as a percentage of sales seem to flatten out year-over-year for the first time in like 12 quarters or so. And maybe you could talk more about the drivers behind that and views on maybe the server ratio changes that start in April. Does that start to impact us a little bit? Maybe the underlying improvements are sustainable, but there's a little impact from those server ratio changes.

Eric Christel

Executive VP & CFO

Sure. Thanks, Alex. It's Eric. On Q1, we're very pleased with our labor performance, especially given the weather. So we had really, really good middle of the P&L management across all cost levers, including labor.

We have a huge focus on using HotSchedules, which is a bit of an AI tool to help us dynamically make sure that we have the right service for our guests at the peak times. The service model you mentioned actually just launched in April. So we're very pleased about that and very bullish on that impact on the guest experience.

Operator

Your next question will come from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. My question is just on the core Outback comp trends. Encouraging to see the brand scores continue to improve. Just looking at the absolute comp for the first quarter, it looks like it fell short of The Street. I'm wondering where that was maybe versus your internal expectation.

And if you can share maybe some color on the sequential trends through the quarter and I guess, for the month of April. I know you mentioned a 240 basis point headwind from weather in the first quarter. Wondering whether you saw any volatility increasing from gas price spikes. So any color you could provide on the trends through the first quarter and into April relative to expectation? And then I had one follow-up.

Michael Spanos

CEO & Director

Yes. Jeff, on Outback, I'm very pleased with where we're at on Outback, and our results were very much within where we expected to be within the guide. When you look at it, I feel really good because we know our success is not going to be linear. We're totally focused on long-term profit, long-term sustainable traffic and comp sales growth.

So to me, we start with Q4, we launch the steak lineup and the team is doing a great job on that. You mentioned the economic scores, the guest is giving us credit and especially when you look at brand trust and especially when you look at intent to return, those are great leading indicators 3 quarters in a row.

As Eric mentioned, in April, we launched the service model, great initial feedback on that. We did through our tests. Later in the summer, we'll launch 6-star hospitality piece. We've also launched and communicated our MP compensation update, and we're executing our char grill expansion, which we'll have those done by the summer. So I feel really, really good about that and where they landed was consistent with where I expect them to be.

Second part of your question, if -- around the results. We start off 2026 nicely, really strong. And then we saw that tough weather hit at the end of January, early February. Our Valentine's Day, and I mentioned this on the last call, our Valentine's weekend and Valentine's week was very strong. All 4 brands grew traffic, all 4 brands grew comp sales.

And then you look at Easter, we had a good Easter week like week year-over-year, growing comp sales in all the brands. And for the weekend and the day, all 4 brands grew traffic and comp sales. So that tells me our guests like us from an occasion. Then if I go to what did March-April look like, which is your other part of your question, we saw sequential improvement in March versus January and February.

And then we saw April step up as well from there. And our early read on Mother's Day, I mean it's quite early, is also very positive. So all this is embedded in our guide. It's how we're thinking about the comp sales. So I actually like where the guest and the consumer is right now. They're engaging in our brands. They're seeing casual dine and eating out as a very affordable luxury. And we're going to keep dialing in on what you get for what you pay for and keep the guests engaged.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

That's very encouraging to hear that there was sequential improvement in March and then further in April. And you actually got me a little nervous, but I missed Mother's Day, but it's still coming up. You're just talking about what you're seeing ahead of time. So that's.

Michael Spanos

CEO & Director

Yes. No, you're good, you're good. I guess you're helping your mom. We're just -- you got till this Sunday, Jeff. But there's a couple of the brands we know ahead of time based on reservations and open tables where they're trending and where they're pacing. And we like what we're seeing.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Got it. And my follow-up is just on the restaurant margin. I don't think it was mentioned in this call, but if you're reiterating everything, I think last quarter, you said you expected a mid-11% range for the full year with the first half higher than the second half.

If that's true, I'm just wondering, maybe if you look by quartile, like as an indication, like where are the best units running? Just wondering how that comes into your thought process as you think about where the margin should be longer term relative to, again, the 11% for the system or just maybe that top quartile is doing something much better? Just trying to get a sense for the long-term opportunity on restaurant margin.

Michael Spanos

CEO & Director

Yes, Jeff, we haven't gotten into breaking down the margins across different quartiles, et cetera. What we're focused on is controlling what we can control being disciplined in the strategic plan, that's going to bring sustainable traffic. That's going to bring sustainable comp sales.

That's going to unlock good restaurant margin expansion with that sustainable growth in sales. And we -- as Eric said, we've got real -- we've got great operators here. We know how to manage the side of the P&L and how to manage costs appropriately without taking it away from the guests or taking away from our people.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Got it. But no published longer-term restaurant margin guidance specifically?

Michael Spanos

CEO & Director

No.

Operator

Your next question will come from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Could you guys remind us how you -- like roughly the timing of marketing this year and how you plan to handle that and how we should sort of just kind of factor that into our margin expectations?

Michael Spanos

CEO & Director

Yes. Brian, in terms of marketing, I'll start and Eric can add on. I'd start with -- the first thing is our marketing, we've gotten very disciplined in terms of connecting it to our strategic framework, which is all about driving brand relevancy. And for us, that starts with, with Outback being true to the core of the brand, which is about that hospitality, the Australian reverence, no rules just right.

Our brand communication, as I've said before, is going to be very steak-centric. It's going to be about casual. It's going to be about fun. It's going to bring together what we're doing, which is the steak lineup, the service model and that 6-star hospitality model. As far as how we plan the year, we said we're going to go from a legacy of 70% linear TV, 30% digital, we're flipping that. We're now at a 60% digital, 40% linear TVs, we're going to be much more digitally focused, and we'll continue to evaluate that.

We also -- I really am excited about the marketing mix models. Our marketing performance returns have increased significantly. We are just getting a better bang for the buck in terms of the right message and then which channels we're putting in and when we're running our marketing. And then as we said, broadly, we're going to be in that kind of low 2s to mid-2s as a percent of revenue on marketing for the full year.

The increased investment, which we've talked about approximately an extra \$10 million of marketing is in the back half of the year. But that will follow when we feel really good about our consistency of execution that we're running the elements of delivering a remarkable dine-in experience the right way, and we'll step that up. And we can measure the returns. If we like it, we'll step it up more. If we don't, we'll dial it down.

Brian Harbour

Morgan Stanley, Research Division

Okay. Got it. And with the new service model in April, I mean, I would guess there's some impact on sort of how servers are paid, right, if you're changing their table count. I appreciate that it's sort of the right thing for the customer, but how do you sort of like manage through that and make sure that it's not kind of disruptive for the servers?

Michael Spanos
CEO & Director

Yes. I think it's a really good question. I start with ownership and connecting it to our principles and beliefs. What I heard from our servers and we know from the past is our servers want to own the guest relationship. And that's how the model was set up. Two, remember, we did test this.

And when we tested it, we saw overall comp and tips were about the same and tips might -- were actually slightly up on a per check basis because remember, the tip share changes in this model versus the previous server, server assistant model. So we see our servers making the same, especially on a shift basis, which is really important.

And part of that as well, we really like what we're seeing in terms of intent to return, attentiveness of the server, likelihood to recommend the server. And it's less stress. If you're a server and you used to have during peak, 6 tables as a server during the peak dinner hour and somebody else calls out, that stress level is really high.

And that's not a good guest experience. It's not a good team member experience. And we like where we've landed and the initial feedback is very good. We'll have that fully rolled out by the end of Q2. We started in April.

Operator

And the next question will come from Jeff Farmer with Gordon Haskett.

Jeffrey Farmer
Gordon Haskett Research Advisors

As it relates to that, I think you said roughly 4.5% menu pricing for the year. What was the number in Q1? And how should we be thinking about the cadence of pricing across the balance of the year?

Eric Christel
Executive VP & CFO

Yes. Pricing was about 5% in Q1. It's going to be a little bit higher in Q2. That's due primarily to the lap of off-premises promotions we did prior year. So full year, we're still basically in the 4.5% to 5% range on pricing.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. And then G&A, I think on the last call, you mentioned \$215 million in G&A. Is that number still in play? And then it sounds like it is, but same question. How should we be thinking about the cadence across quarters?

Eric Christel

Executive VP & CFO

Yes, that's still our number. We had a little bit of favorability in Q1, probably more timing than anything. So we basically see mid-5s getting down to basically low 5s, 5.3% approximately for G&A full year as a percent of sales, but right on that \$215 million number.

Michael Spanos

CEO & Director

Yes. Jeff, it's Mike. I'll just add one point Eric touched on, which I think is important. As we communicated in Q4, how we're going to just be more balanced on mix and being disciplined. Eric hit on it. Part of that, especially this is important for Q2, we're not going to chase dilutive traffic. We're going to be really focused on what's sustainable long-term.

And what that means is we decided not -- as we go into Q2, we're not going to lap what we thought was some dilutive type traffic in the third-party channel. We're just going to be very balanced. So you'll see that -- that moderates, by the way, as we finish up the first half of the year. But I think it's important -- we're focused primarily on delivering that remarkable dine-in experience.

Operator

The next question will come from Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

I have, I guess, quick questions about some of the capacity investments you're making. But maybe first, if you could talk about the Steakhouse category, it's been very strong for the last few quarters.

And I was just curious, as you look at Outbacks improving momentum, is that kind of tracking with the Steak category or is it -- are you sort of exceeding that? Just trying to understand kind of how much might be category strength versus -- clearly, you have company initiatives that are working, but just disaggregating it.

Michael Spanos

CEO & Director

Yes, morning Sara. I think it's both. One, we're getting momentum and I'm really pleased with the momentum we're getting. And I already covered it in the previous questions. What we're seeing on the leading indicators, really impressive. We're getting good momentum, a consistency of execution.

So that is us controlling what we can control. The category, I believe, is very resilient. We've talked about this. The category is resilient. The pure proteins, in our case, we have great steak proteins. We have great non-steak proteins. But the bottom line is we're seeing Americans continuing to engage in beef. We're seeing that with our new steak lineup.

They were thrilled with the cuts we offer. And I've said this before as well, we deliver a great relative value. You come in and you get a meal with us, that steak is going to be right. We're going to make sure it's right. And you're going to get your sides and you're going to get your Coke or your Bloomin' Blonde and you're going to get your dessert.

If you buy that steak and you cook it at home and screw it up, it's on the guest. We make it right. And we also give you a great experience. And I think that's why the category remains robust, and I see it looking that way in the future as well based on everything we're hearing and seeing from our guests.

Sara Senatore

BofA Securities, Research Division

Okay. Right. Understood. I just wasn't sure if sequentially, there was any kind of change in category dynamics, but it sounds like 4Q to 1Q, no real change in the category. So obviously, more Outback specific. Is that fair?

Michael Spanos*CEO & Director*

Yes, Sara, as I said, we saw a step-up across all brands, including Outback March versus that Jan, Feb and then again in April and our early read going into Mother's Day. If you look -- if you're asking about it on a short-term and over the long haul, we're seeing a steady resilience in the category and strength in the category.

Sara Senatore*BofA Securities, Research Division*

Perfect. And then just on the investments like the reimagery remodel, if you can just remind me, I mean, are you looking for a specific same-store sales lift or is this more kind of table stakes you need to have the assets look as good or comparable to the service model and the quality of the food. So trying to think through the kind of returns on the capital.

Michael Spanos*CEO & Director*

Yes. So one, as we said, you start with -- we've got about half of the Outbacks have already been touched in the last few years, whether they're new or they were remodeled. So you've got about approximately 300 left that we're going to execute this asset refresh, which is light touch -- an average of about \$350,000 to \$400,000. We'll get those done through 2028.

And what we're focused on is that which drives a good restaurant ambience and adds the cumulative effect to the guests. So inside, that's going to be tables, it's chairs, it's boots, some ceilings, maybe some light bar touches on the outside, you're hitting the landscape and you got some paint and lighting.

And what we've seen in tests and other brands before is we typically see about 100 basis point to 200 basis point tailwind in traffic right after those refreshes as we do them. So we'll continue to [bring] them out in a smart way. We want to do it when the restaurants aren't jammed. So you'll see that more in some of the lighter quarters, but it's table stakes in terms of how we think about capital.

Operator

Your next question will come from Christine Cho with Goldman Sachs.

Hyun Jin Cho*Goldman Sachs Group, Inc., Research Division*

Congrats on the great momentum. A follow-up to Jeff's question earlier. Could you please help further unpack the margin drivers for the quarter? So I think you noted the higher restaurant level margin driven by check and cost savings and lower ad costs as key factors. Could you quantify these impacts and discuss whether you expect these trends to persist for the second quarter and the remainder of the year?

Eric Christel*Executive VP & CFO*

Yes. Christine, it's Eric. So the main driver of our margins and profit performance in Q1 really was we delivered top line at the top of our range, so about 1%. We also had better mix.

And those 2 combined with sort of very good cost controls in the middle of the P&L, again, despite the weather, that all added up to essentially our ability to kind of hold slightly expand restaurant margins. So we see that -- so everything that's baked into our guidance is the flow-through resulting from the top line guidance. We remain committed to, as we mentioned, labor management as well.

Hyun Jin Cho*Goldman Sachs Group, Inc., Research Division*

Great. And then the last quarter, I think you mentioned there were some check management in some of the older consumer cohorts. Have you seen any changes there? Have you seen any shift in trends in other demographics that you would call out?

Michael Spanos*CEO & Director*

Yes. Chris, it's Mike. Yes, that's the right recall. We're -- as I've been saying, we're cautiously optimistic on the consumer. There's been some choppiness, but we see an engaged guest. We have, to your point, when we look at number of guests, the guests in Outback that tend to run above age 55, 60 with household incomes under that \$75,000 range, they are managing their checks.

But what's quite interesting, they're adding frequency of visitation. So they're actually remaining very engaged. And this is why we've kept the affordability offers. And that group, especially has resonated within Aussie Three Course within Outback. So when you look at a loyalty hook or increase in frequency, Aussie Three Course has played very well for that cohort that is balancing that. As I also said, what we see is the opposite, too, Christine, which we like.

If I stay on Aussie Three Course, we see younger cohorts with bigger household incomes, they're coming in and they're -- whether they're new or frequent, they're trading up into the higher tiers. They're going into that \$17.99. They're going into the \$20.99. They're enjoying that experience and they're moving up the incentive curve.

Operator

The next question will come from Christabel Rocha with JPMorgan.

Christabel Rocha

JPMorgan Chase & Co, Research Division

This is Christabel on for John. The first question is on expanding char grill capacity that you mentioned by the summer. Can you remind us, is this moving away from your clamshells?

Michael Spanos

CEO & Director

No, no. It's about creating the optimal cooking platform. We know and we've tested what is the best cooking platform, whether it's a steak or non-steak protein. So the whole point of char grill and bringing back broilers as well as we want to have enough capacity on the flame for our new steak lineup.

We also -- we love our clamshells for a number of steak and non-steak proteins. And the other thing I pointed out on the previous earnings call, this was also feedback from our Outbackers. As you look at what we're doing with the char grill capacity, which again, we'll have done by the end of the summer, it actually created better visibility on the line, the way it's set up.

So the flow and the teamwork, it's much easier to see on the peripheral vision. It gives us more refrigeration, capacity storage space in the base of the line. So this actually helps us from pace and execution simplicity in the back of the house.

Christabel Rocha*JPMorgan Chase & Co, Research Division*

And then on the remodels, you mentioned an average spend of like \$350,000 to \$400,000. It kind of feel slow, especially like you might be overdue for a remodel? Is this just Phase 1 of a multiphase effort?

And is there any like downtime that you're seeing that you need? And how are you communicating these changes to the customer without significant exterior work?

Eric Christel*Executive VP & CFO*

Yes, I think your third question first. So no downtime. We're able to do these off hours. The scope of the refreshes typically do not require permits. So it's very easy for us to do it sort of non-guest-facing, non-guest impacting.

Your first question was -- I think to answer, we basically see this as getting caught up to where we will now have a normal refresh cycle for -- across all of our concepts, including Outback. So by getting to what Mike mentioned, getting 100% of our Outbacks touched by 2028, that allows us to then continue to invest on a normal cycle past that.

Michael Spanos*CEO & Director*

Yes. Remember, Chris, we -- one of the decisions, if you go back, as we've brought down the future capital on new restaurants, we're reallocating to the refresh because before we were putting that same level or more level of capital into those new ones. And our point is we need to invest -- as Eric said, we want to invest in the base of the business first and then pay down debt in terms of capital allocation.

Operator

The next question will come from Brian Vaccaro with Raymond James.

Brian Vaccaro*CGS International*

Just 2 quick clarifications for me. Just back to the Outback comps, obviously underperformed a little bit, as you noted, the Black Box casual dining category in Q1. But you noted the improvement in March-April.

So I was curious if Outback is outperforming segment trends in more recent months? And then second, on the commodity inflation, it sounds like that might have come down a little bit, maybe 50 bps on each range. Just curious what might be moving a little bit more favorable in the basket.

Michael Spanos
CEO & Director

On Outback, when you look at the last year, Brian, I would -- we've improved our performance versus Black Box. So if you look at it, we've narrowed that gap both in terms of comp sales and traffic and the same for Total Bloomin' Brands.

We obviously want to be at a point where we're leading Black Box, as I said in my prepared remarks, but we made progress and momentum versus that standard or that comparison. And we also, in the short-term, like I said, Outback and Total Bloomin', we saw an improvement in comp sales when you look at March versus Jan, Feb and April versus March and out of the gates here early as we go into Mother's Day.

In terms of commodities, and Eric can add on, we were pretty clear with our commodities. We assumed them to be roughly 4.5% to 5.5% with that high single-digit inflation on beef. We're about 85% locked in terms of -- if you look at our commodity basket, we're locked in on 85%. Our beef is locked in. And Eric can give you more on the details of the pace and how that looks.

Eric Christel
Executive VP & CFO

Yes. Q1 came in a little bit favorable due to dairy and poultry primarily. We had also a pretty good inventory management in terms of commodities. But for the full year, we're still in the 4.5% to 5.5% range on total commodities inflation. So no change to the full year.

Brian Vaccaro
CGS International

Okay. I might have been mistaken. I thought it was 5% to 6% previously, but it's a small change either way. Just curious if something moved there, but that's helpful. Okay. Perfect. And I guess the last one for me. As it relates to your second quarter EPS guidance, and this just ran some quick back of the envelope math, but it seems to embed maybe some year-on-year store margin contraction.

I just wanted to ask if that's right? And if it's right, can you help square what might be driving a little bit of year-on-year contraction in the second quarter after Q1 was flat on a lower comp, assuming you hit the 1% to 2% for Q2. Just anything on the Q2 margin dynamics?

Michael Spanos
CEO & Director

Yes. No, I would assume more flat margins flat margins -- flat at the midpoint of the guidance. And it really just embeds some cautious optimism that we see with consumers and guests. We feel great about the momentum.

Operator

And that will conclude our question-and-answer session. I would like to pass the call back over to Mr. Mike Spanos for any closing remarks.

Michael Spanos
CEO & Director

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

Operator

That will conclude our conference call for today. Thank you for attending today's presentation. You may now disconnect.

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