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Press Release

10-Q

EPS of \$0.51 **misses by \$0.07** | Revenue of \$1.12B (-2.93% Y/Y) **misses by \$7.13M**

Bloomin' Brands, Inc. (NASDAQ:[BLMN](#)) Q2 2024 Earnings Conference Call August 6, 2024 8:15 AM ET

Company Participants

Tara Kurian - Vice President, Corporate Finance and IR

David Deno - Chief Executive Officer

Michael Healy - Executive Vice President and CFO

Conference Call Participants

Jeffrey Bernstein - Barclays

Alex Slagle - Jefferies

Jeff Farmer - Gordon Haskett

Brian Mullan - Piper Sandler

Andrew Strelzik - BMO

Operator

Greetings. And welcome to the Bloomin' Brands Fiscal Second Quarter 2024 Earnings Conference Call. At this time, all participants are in a 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. You may begin.

Tara Kurian

Thank you, and good morning, everyone. With me on today's call are David Deno, our Chief Executive Officer; and Michael Healy, Chief Financial Officer and Executive Vice President. By now, you should have access to our fiscal second quarter 2024 earnings release. It can also be found on our website at www.bloominbrands.com in the Investor 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 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 second quarter 2024, an overview of company highlights, and current thoughts on fiscal 2024 guidance. Once we've completed these remarks, we'll open the call up for questions.

With that, I would like to now turn the call over to David Deno.

David Deno

Well, thank you, Tara, and welcome to everyone listening today. As noted in this morning's earnings release, adjusted Q2 2024 diluted earnings per share was \$0.051. U.S. comparable sales were down 10 basis points, which was 20 basis points better than industry sales during the quarter, as measured by Black Box. The casual dining industry was softer than anticipated in the second quarter. While our comparable sales growth outpaced the industry, we did not meet our expectations. We are focused on navigating the difficult near-term industry headwinds, as well as setting up Outback for long-term success. These near-term challenges, coupled with our Q2 results, are leading us to update our full-year guidance. Michael will go into more detail in a few minutes.

On a positive note, we are seeing signs of inflation return to normal, which creates some immediate opportunities for us. Additionally, interest rates may decline in the near future. Both of these factors will create a more favorable environment for the industry and our company. The key is to recognize that we have a strong business as we navigate the coming months. We are confident in our ability to manage the industry trends and take share in the second half and beyond. This thinking has been included in our updated guidance.

As mentioned on prior calls, driving same-store sales growth and improving traffic at Outback remains our number one priority. Outback is a power brand and we are working to strengthen the business across many areas. We've done a significant amount of work on deepening the understanding of our customers, their visit motivations and how we can further differentiate Outback within the casual dining landscape. We have put some of these learnings into action, and we expect much more progress through the end of the year.

There are three primary areas we are focused on. Number one, consistently delivering great experiences. Number two, improving the menu to offer abundance and value. Number three, building consumer decision-making capabilities and digital marketing into a competitive advantage.

Starting with delivering great experiences, we know that consistently delivering great food and service is the key to driving same-store sales growth, and at Outback, that is exactly our goal. We are enhancing our service model to provide even better, more memorable and welcoming service to our guests. All of our technology and equipment investments, such as new grills and server handhelds, have been rolled out and we are building on these investments.

We've shared in recent quarters that we are seeing significant improvements in our customer satisfaction metrics with regard to execution, and that continues. Over the last year, steak accuracy is up 500 basis points, and consistency of experience is up 500 basis points. This progress is further validated by casual dining industry metrics, which have continued to improve. Friendly service and food quality are now 290 basis points and 40 basis points ahead of our casual dining peers, respectively. We know that over time, these level of improvements will help drive same-store sales growth.

Moving on to our second area of focus, improving our menu to focus on abundance and value. We are looking at the Outback menu to simplify offerings, reduce the number of items and target higher satisfaction menu items that resonate with our guests. At the same time, we are looking at selectively adding new differentiated items that provide abundant value. Taken together, this will likely result in a more simplified menu at Outback with fewer items and higher value. We do not want to share too much detail for competitive purposes, but work is underway and we'll be able to share more in the upcoming quarters.

Speaking of value, our current LTO offering has an entry price point of \$14.99, the lowest offering of the year. Three courses for \$14.99 is an exceptional offer. We are not adjusting our strategy to go after deep discounting, rather we feel this is the best for the strength and the health of a brand long-term. We are focused on delivering offerings that are only available at Outback. Importantly, they provide an attractive value to our customers. They are promotions that we can own that connect with our guests and drive traffic in difficult times. We anticipate LTOs that have similar price points in the near-term and we know we must continue to spend on marketing to maintain our share of voice.

Our last area of focus is building consumer decision-making capabilities and digital marketing into a competitive advantage. Our multi-channel advertising strategy currently leverages analytics to ensure strong returns and maximizes our reach. We want to continue to improve this capability and develop a robust way to communicate, engage and motivate our guests. We start building the foundation in both our team and our tools to further improve our decision-making and resource allocation.

We are establishing the framework for long-term success of the Outback brand that will be grounded in our No Rules, Just Right philosophy and will stay true to the irreverent and adventurous spirit of Outback. A great deal of work is underway and we will discuss our progress in the coming quarters.

Now on to some of our other priorities. During 2024, we will continue to make investments to upgrade our assets through new openings, relocating and remodeling restaurants. We expect to remodel 60 to 65 restaurants and open 40 to 45 new restaurants system-wide this year. Fifteen are new Outback Steakhouse restaurants and one is a new Fleming's that will open in the U.S. In addition, we will open 20 high returning restaurants in Brazil this year. The balance of the openings will come from our franchise partners.

We know that upgrading our assets is a big part of improving traffic trends, especially at Outback. In addition, we are achieving good returns from our new restaurants and relocations. We have a strong pipeline, but we are also seeing increasing costs. As such, we are committed to delivering a great return and will adjust the future pipeline as needed to maintain the returns we are currently seeing.

The last priority I'll discuss today is our leading off-premises business, which is 24% of our U.S. sales. We are pioneers in the to-go space and we continue to see strong demand in this highly incremental occasion. This business has more than doubled since 2019 and is an important sales channel. We need to continue to pursue our off-premises business and grow in restaurant sales.

Additionally, our catering business is expanding at all of our brands, but particularly at Carrabbas. Their Q2 catering business has increased approximately 180% over the last two years and clearly demonstrates a runway for future growth.

Importantly, the sales initiatives I described are supported by strong cash flow and a solid balance sheet. This gives us the ability to invest in our marketing and operations initiatives, our technology plans, and asset improvements. These efforts are helping us build a strong business that will thrive for many years to come.

I want to thank the great teams in our restaurants and restaurant support center. The progress we are making would not be possible without all of your hard work. Thank you for delivering outstanding hospitality and service to our guests.

Before I turn it over to Michael, I would like to provide updates on two previously announced matters. The first is on the potential re-franchising in Brazil. We are encouraged with the level of interest in the business. We are making progress on a possible transaction and will provide an update as events warrant. This is a fantastic business with great long-term value.

And the second matter is CEO succession. The Board has formed a committee and the process is underway with a leading executive search firm. Importantly, I remain fully committed to leading the company and supporting a transition to the new CEO when they are selected.

And with that, over to you, Michael, to discuss our Q2 financial performance and updated 2024 guidance.

Michael Healy

Thank you, Dave, and hello, everyone. I would like to start by providing a recap of our financial performance for the fiscal second quarter of 2024. Total revenues in Q2 were \$1.1 billion, which is down 3% from 2023. This was primarily driven by a decline in comparable restaurant sales, the net impact of restaurant closures and openings, and the loss of the Brazil value-added tax exemption benefit that ended in 2023.

U.S. comparable restaurant sales were negative 10 basis points and traffic was negative 380 basis points. We were ahead of the casual dining industry on sales by 20 basis points, though we were behind the industry on traffic by 70 basis points. We know our LTOs must be more value-focused to take share in this environment and our second half promotional calendar reflects that.

Average check was up 3.7% in Q2 versus 2023. We are appropriately balancing delivering value to our customers while continuing to support the business in a period of higher inflation. Dave walked you through some exciting LTOs that bring great value to our guests with very accessible entry price points.

Q2 off-premises was approximately 24% of total U.S. sales. We have seen an increase in the highly incremental third-party delivery business, now 14% of total U.S. sales, which was up from 12% in Q2 2023, driven by our growth in catering.

Our Q2 GAAP diluted earnings per share for the quarter was \$0.32 versus \$0.70 in 2023. Our Q2 adjusted diluted earnings per share was \$0.51 versus \$0.70 in 2023. The primary difference between GAAP and adjusted diluted earnings per share is due to the asset impairment and closure-related charges associated with the decision we made in Q4 last year to close 36 primarily older underperforming restaurants in the U.S. and the decision this quarter to close nine restaurants in Hong Kong.

I would like to comment on our adjusted share count that has been changed as a result of some SEC comments. The shares outstanding for GAAP purposes includes both the shares underlying the convertible notes and the underlying warrants we entered into as part of the hedge transaction.

In our prior presentation of adjusted share count, we had added back the benefit of the hedge to match the economic effect of the underlying instruments. Starting this quarter, we will no longer be making this adjustment and have updated the share count to remove the benefit from the hedge associated with our convertible notes. This change negatively impacted our Q1 results by approximately \$0.03 and it will impact our total year by approximately \$0.05.

We have also recast the adjusted share count from Q2 last year, which reflects an increase of approximately 5 million shares or from 92.4 million shares to 97.4 million shares. This reduced Q2 2023 adjusted EPS by \$0.04 compared to what we previously reported.

Q2 adjusted operating margins were 5.7% versus 7.8% last year. There are a number of factors contributing to the margin decline this quarter. First, we are lapping the Brazil value-added tax benefit, which cost us 40 basis points of margin versus last year. We had an impact in labor, driven primarily from inflation, which drove an additional year-over-year margin unfavorability. Labor cost was up in Q2, primarily driven by wage inflation of 4.4%. Other restaurant operating expenses were also up year-over-year, partially due to inflation and partially due to spending \$4 million more in advertising this year.

Depreciation expense was higher in Q2, consistent with our increased levels of capital spending and our investments in infrastructure to support growth. This was offset by a reduction in G&A. The margin decline was offset by favorability in food and beverage costs from pricing benefits and supply chain productivity initiatives. Commodities costs were better in Q2, driven by more modest expectations across dairy, oil and seafood. We continue to see positive signs within our beef program, but this category remains inflationary. This is a challenging market environment, and we are focused on the costs that are in our control.

Turning to our capital structure, total debt net of cash was \$884 million at the end of Q2. The higher balance is driven by the convertible note and accelerated share repurchase activity earlier this year. We are satisfied with our leverage metrics and levels of liquidity. Importantly, we remain committed to being at or below our least adjusted leverage ratio target of 3 times.

Year-to-date through August 2nd, we have repurchased a total of 9.9 million shares of stock for approximately \$263 million. This included shares associated with the convertible notes that we repurchased. We have \$99 million remaining under our share authorization program. The Board also declared a quarterly dividend of \$0.024 a share that is payable on September 4th.

Before I get into full-year guidance, I wanted to provide an update on three external factors impacting our full year guidance. First, at the end of May, Brazil passed a new value-added tax exemption into law. This will be a positive benefit for our company and is expected to be a \$0.015 benefit on the year, almost entirely in the second half. As a reminder, the benefit recognized in 2023 was \$0.25. Second, the recast share count, as previously discussed, negatively impacts our full year adjusted earnings by \$0.05, with almost all of that impact in the first half. Third, we are seeing four exchange headwinds in Brazil that will negatively impact our second half by approximately \$0.04. Collectively, these factors are a \$0.06 benefit on the full year and a \$0.07 benefit in the second half.

Now, turning to our full year 2024 guidance, we are updating our full year guidance to reflect the softer industry environment, which has continued in the start of Q3. As a result, we are updating our comp guidance range to be flat to down 100 basis points. We are being very mindful of pricing and have not contemplated pricing actions above prior guidance.

Given the volatility the industry is seeing in traffic trends, we are updating our adjusted diluted earnings per share guidance to be between \$2.10 and \$2.30. The wider range is a reflection of this volatility. We are updating our adjusted tax rate to be between 8% and 10%.

As we mentioned on the last call, the negative calendar shift experienced in Q1 of \$0.5 is recaptured in Q4. And from a marketing dollar standpoint, we will begin to lap the marketing increase we started a year ago, therefore marketing dollars will be relatively flat in Q3 and Q4.

We are also lowering our capital expenditures guidance to be between \$260 million and \$270 million. We are appropriately managing our capital dollars given the current environment. We will continue to balance investing in our restaurants and returning dollars to shareholders.

As it relates to the third quarter 2024, we expect U.S. comparable restaurant sales to be flat to down 2% on a comparable calendar basis. This reflects the current environment and what we are seeing in the restaurant industry.

We expect Q3 adjusted diluted earnings per share to be between \$0.17 and \$0.25. Importantly, this guidance includes the revised Brazil value-added tax exemption benefit of \$0.06 compared to a \$0.04 benefit last year. Share count is approximately 87 million shares and FX is expected to be a \$0.02 headwind on the quarter.

In summary, we are operating in a challenging environment, but we have great brands and a strong balance sheet. Outback is a power brand and we are fully committed to not only navigating these near-term headwinds, but also completing all of the necessary work at Outback to drive long-term success.

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

Question-and-Answer Session

Operator

[Operator Instructions] The first question today comes from Jeffrey Bernstein with Barclays. Please go ahead.

Jeffrey Bernstein

Thank you very much. Two questions. The first one, just on the broader industry and seemingly value focus. Just wondering, Dave, if you could offer your thoughts in terms of how the current environment compares to past challenging periods in terms of the industry being more aggressive on value. And maybe if you could just offer some color in terms of your specific plans, and you said more value in the second half, but any concern of driving more unprofitable traffic in response to that? And then I had one follow-up.

David Deno

Yeah. Sure, Jeff. Good morning. Yeah. As we mentioned, Q2 and starting into Q3, I think, the industry trends to look at overall were softer than expected. We certainly have adjusted to that. We have tried to provide guidance that incorporates that. But I think you have to take a look at, navigating a challenging near-term environment and looking at the overall health of the business and the overall health of the brands, which we think is very strong.

So what we have here is a more softer environment than, say, a year ago. And what we're trying to do is appropriately build some value into the menu, especially at Outback, that is still a good return for the shareholder. And we think we've landed on that with the \$14.99 3-Course Meal at Outback and it's too early to comment on trends, but we're happy with what we're seeing so far. So you'll see more of that the balance of the year and that's how we're trying to address some of the value and industry issues right now.

Michael Healy

Yeah. Dave, I'd jump in real quick. The one thing we're able to do is engineer these offers. So at \$14.99, we'll engineer it so the economics of it are still very strong. So it's a great value for our guests, really motivates them to visit, but at the same time is good from a flow-through perspective.

Jeffrey Bernstein

Encouraging. And I had one follow-up just on the cost side of things. You made a couple of comments in the prepared remarks. One, on the cost to build with increases presumably, and two, on beef. So I'm wondering if you could just provide outlook on each in terms of the cost to build, how much that's up over whatever period of time you want to offer and maybe the returns you're still achieving. And on beef, I think you said it's still inflationary but made it sound like it was perhaps more manageable than you were thinking. So just wondering any color you could provide in terms of your outlook for beef? Thank you.

David Deno

Yeah. Sure. I'll talk about some of the construction stuff. Yeah. Construction costs, for our industry and for America overall are up significantly. I don't have the number off the top of my head, but it's large. The -- and we always look at the costs and our sales for those particular restaurants. And what we have right now are very high return new restaurants, but we're always looking at the costs to make sure what we're building still makes sense.

So we actively manage our pipeline, Jeff, and we'll continue to look at that. Any particular forecasts on the cost of construction I think would be premature. Hopefully it will come down some, but we're managing our portfolio accordingly. And then, Michael, maybe a little bit on beef.

Michael Healy

Yeah. Just one thing on the pipeline too is we built a pipeline, so we are able to cherry pick, those deals that where the economics continue to be fantastic and we're going to walk away from deals that don't hit the returns that we require.

So, as far as beef, I mean, beef is still expected to be highly inflationary for us. What we are seeing is some favorability versus how we began the year. And as we've shared before, the way that we contract our beef, we're able to share in any market favorability and we're seeing signs of that and able to take advantage of some of those dollars. But we're still actively watching it to see where we think we're in the year. But still highly inflationary, but more favorable than we thought we'd be at the start of the year.

Jeffrey Bernstein

Great. Thank you.

David Deno

Thank you, Jeff.

Operator

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

Alex Slagle

Hey. Good morning.

David Deno

Good morning.

Alex Slagle

I just wanted to follow up on Jeff's question and just kind of get your view a little bit more on what you think is going on with the consumer. I mean, you did kind of expect it to be softer and it has been probably a bit tougher than you expected. But was there something you saw in the consumer in terms of what's changed or in a notable way or just really a broader step down in traffic across the Board?

David Deno

Yeah. I think what we're seeing is the consumer is being pretty choosy on where they spend their dollars. There's been a lot of speculation. Is it the lowering consumer or who exactly is it? But we believe that all the choices out there, people are being more choosy. Once they choose to come in our restaurants, we're not seeing a large trade down or mixed change or anything like that. But the important thing is to get the people in our restaurants and fight for that market share, which is what we're trying to do.

Alex Slagle

Got it. Thanks. And Michael, you mentioned an opportunity to engineer some of the promotions to get good economics and I'm just trying to think through some of the dynamics of your mix -- broader mix of proteins out there. And I think historically it was somewhere around half of the orders were steak and there was some good variety with the ribs and seafood. And just maybe some more thoughts on things you could do on the menu from that perspective to keep the cost of goods where you're hoping to be.

Michael Healy

Yeah. I mean, you're roughly directly correct on the beef basket. But we have great other proteins. And what we're able to do when we create these LTOs is you're able to create tiers and so you're able to create entry-level price points that are other proteins besides beef to help us achieve those price points. We're able to create bountiful. We have a great R&D team. We're able to create bountiful dishes. So we're able to have abundance. So when you're looking at value, you come and you get a full plate and you're very happy.

And so, a lot of it comes down to, what are the great flavors, what can we execute high level? But at the same time, from the math perspective, how do we hit these entry-level price points? Like sometimes using alternative proteins or sometimes using byproducts of beef to have something that really resonates with our guests. At the same time, allow our guests to opt up into something that's larger and more indulgent. And so that's how we'll construct the LTOs going forward. But we know having that opening price point at \$14.99 is critical. As Dave said, from a value standpoint, they're being choosy. And so, we have to add a price point that's meaningful and that's where the team's focused.

David Deno

And the other thing it enables to do as it's built is you start with an opening price point. There's another tier at a higher price point and another tier at a higher. See, the customer can choose once they come in the door. So we offer that opportunity for our customers.

Alex Slagle

Thank you.

Operator

The next question comes from Jeff Farmer from Gordon Haskett. Please go ahead.

Jeff Farmer

Great. Thanks. Appreciate it. Just following up on the line of questioning as it relates to the new 3-Course Meal at \$14.99. So I think historically you guys touched on this. It was \$16.99. But is that \$2 spread, is that enough to -- I know it's only been out there a couple weeks. But is that enough to drive traffic for you guys, that \$2?

David Deno

I can't get into details, Jeff. But yes, we think it is.

Jeff Farmer

Okay. And then just along those lines before I move on, the promotion of the \$14.99 offer. I can see stuff out there on social media. But beyond that, is there traditional media involved? How are you getting your customers to have knowledge of this pretty good deal?

David Deno

All funnels of the advertising channel, TV, social media, electronic, digital, everything that we can offer. We have a very good understanding of what those returns look like and we're spending appropriately.

Michael Healy

Okay. The only thing I'd jump in and say, the one great thing about the Aussie 3-Course is not only does it hit a price point that's meaningful at \$14.99, but it's also a lot of food, right? So when you think about value, we're hitting both sides of the equation and that's what the team is focused on.

Jeff Farmer

Okay. And then final question for me. As it relates to the Q3 same-store sales guidance, the down 2 to flat, just curious if you could sort of give us some of the components of that, meaning expectation that casual dining sector traffic remains weak, Bloomin' combined menu pricing or any mixed shifts that might come with the lower price point LTO. So anything you can provide on just flushing out the components of the Q3 same-store sales guide would be helpful?

David Deno

Yeah. Sure. I'll answer the broad question first, Jeff, and then turn it over to Michael. It incorporates what we are seeing in the industry in our own situation. So we're trying to incorporate current trends into that guide. So sales, traffic, pricing, et cetera, that's all part of the guide.

Michael Healy

Yeah. Our guide is flat to negative 2, and for us, it all comes down to traffic. We've seen a lot of volatility in the industry. And so, we're trying to be appropriate in providing guidance and account for that volatility. From a traffic standpoint, we would expect traffic to be similar to what we saw on Q2. Our average check is holding.

And I think one thing we are very confident in is that we will continue to take share. We're encouraged with Outback's promotion. We're encouraged with their promotional calendar for the rest of the year. Obviously, the thing we don't have perfect clarity on is where that tideline is. But we're focused on the things that we can control and that's what the team is working on.

Jeff Farmer

All right. Thank you.

Operator

[Operator Instructions] The next question comes from Brian Mullan with Piper Sandler. Please go ahead.

Brian Mullan

Thank you. Just a question on Fleming's. The components of the comp were a little different than the other brands with traffic down a bit more of a checkup. So could you just speak to the dynamics there? Was there an additional price recently and then just your outlook on fine dining for the rest of the year, if it's much different than casual dining?

David Deno

Yeah. Fine dining has been a bit more challenged than casual dining, I think, because -- partly because of some of the significant gains in prior years. But importantly, Fleming's has been taking share versus the fine dining industry. If you look across how things are going. And we just -- and we continue to offer the guest an exceptional experience and our goal at Fleming's is to elevate the food, the beverage and the service at Fleming's, and it continues to perform very well. So there have been some traffic challenges, but they are taking share in fine dining, and fine dining has been a little bit weaker than casual dining. But we still remain very, very bullish on the business and what the team is doing.

Brian Mullan

Okay. Thank you. And then question on Brazil. Thank you for the update on the review process. Just on the underlying -- on the business, can you just talk about the outlook over the balance of the year, anything you could offer on the current operating environment or the consumer in Brazil as you see it now? That would be great.

David Deno

Yeah. Sure. No. We've got a remarkable business down there. Number one restaurant company by far. The economy there has been a little softer with higher interest rates. And in the quarter there was, I don't know if you followed the news, but there was very, very significant flooding in the south that impacted our sales.

But we will see probably some choppiness and softness to balance of the year in Brazil because of the interest rate environment and what they're going through. But most importantly is the quality of our business and how they come to market and what they look like.

For instance, we just remodeled our first restaurant, the total remodel of our first restaurant in Rio, and the reception has been unbelievable. And the sales are way, way, way up. And that's an indication. We can roll that remodel going forward and that's an indication of what it means in that marketplace and how that brand looks. So extremely strong brand, a choppy environment, maybe the balance of the year, but something that the team is trying to address to the best of their ability.

Michael Healy

Yeah. The only thing I'd jump in is, we Are -- they're trying to take as little price. They have their challenges macro perspective from a value perspective. So intentionally taking as little price as possible in that market to continue to support the business.

But we're also opening 20 restaurants, right, continuing to grow rapidly. It remains one of the strongest brands even outside of casual dining or dining in general in the country. And so, obviously, we're very excited about that brand, but certainly there's some macro things that the team's working through.

Operator

The next question comes from Andrew Strelzik with BMO. Please go ahead.

Andrew Strelzik

Hey. Good morning. Thanks for taking the questions. My first one, as you thought about communicating value to consumers, I'm just curious about your confidence in holding the marketing flat in the back half of the year. It seems like the industry is getting louder from a promotional perspective. So, just curious about your thought process there. Does that hold your share of voice? Are you losing share of voice? Just any color on how you thought about marketing in the back half of the year?

David Deno

Yeah. A couple of things. Yes, we want to hold our share of voice. Also, we can toggle advertising up if we want to. We've got the current outlook. But most importantly is the quality of the offering and we're pretty pleased with what we've got going on right now at Outback. So the quality offering is strong, and if we decide to toggle up advertising because it looks that way, we'll do that. But we'll also look at, you know, the sales and returns we're getting on that investment.

Michael Healy

And we have robust analytics around the returns on our marketing spend, and as those ROIs tick up, we're always willing to invest dollars to drive traffic and connect with our guests. But as Dave said, the most important thing is how compelling is the offer and we think we'll have a strong promotional calendar in the second half.

Andrew Strelzik

Okay. That's helpful. And then just secondly, on the G&A side, you mentioned it coming up in lower for the quarter. Can you just talk about the dynamics there and how to think about it for the rest of the year? Thanks.

Michael Healy

Yeah. For Q2, it came in a little lower. Just a few puts and takes here. Nothing overly meaningful. But I think we'll be relatively flat on the year.

Andrew Strelzik

Great. Thank you very much.

Operator

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

David Deno

Well, thank you, everybody, for listening today. We appreciate your time and we look forward to updating you later in the fall when we talk about Q3. Have a great day, everybody.

Operator

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

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