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Bloomin' Brands, Inc. (BLMN) Q2 2025 Earnings Call Transcript

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Q2: 2025-08-06 Earnings Summary

Insights



EPS of \$0.33 **beats by \$0.04** | Revenue of \$1.00B (-10.41% Y/Y) **beats by \$16.48M**

Bloomin' Brands, Inc. (NASDAQ:[BLMN](#)) Q2 2025 Earnings Call August 6, 2025 8:00 AM ET

Company Participants

Michael Spanos - CEO & Director

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

William Michael Healy - CFO & Executive VP of Global Business Development

Conference Call Participants

Alexander Russell Slagle - Jefferies LLC, Research Division

Brian Hugh Mullan - Piper Sandler & Co., Research Division

Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division

Jeffrey Daniel Farmer - Gordon Haskett Research Advisors

John William Ivankoe - JPMorgan Chase & Co, Research Division

Sara Harkavy Senatore - BofA Securities, Research Division

Operator

Greetings, and welcome to the Bloomin' Brands, Inc. Second Quarter 2025 Earnings Conference Call. [Operator Instructions] It is now my pleasure to introduce your host, Tara Kurian, Vice President, Corporate Finance and Investor Relations. Thank you, Ms. 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 second 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 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 second 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.

Michael Spanos

Thanks, Tara, and good morning, everyone. Before I get into our business update, I would like to discuss the changes to our senior leadership team that were announced earlier this week. As I've previously stated, my initial focus has been on our operational priorities, listening and learning from our restaurant operators to best support them in simplifying the agenda and driving consistency of execution to deliver a great guest experience with a priority on Outback. This has been important to foster a culture that is grounded in our founders' principles and beliefs, executing with an operational mindset and a passion for guest hospitality. I've also discussed our urgent and deliberate work on the Bloomin Brands strategy centered on turning around Outback.

As we complete our enterprise-wide strategy, we have implemented an organizational structure that builds capability, is effective and efficient and consists of a set of leaders that are deep in restaurant and operational experience, enhancing our transformation and strategic muscles as we lead the future business. Turnaround Outback is our highest priority. As a result, Michael Healy will move into a newly created role, Executive Vice President, Strategy and Transformation. He will lead the strategic initiatives central to our turnaround efforts. His extensive experience with over 16 years across the organization in supply chain, brand leadership and both Outback's CFO as well as the company's CFO, make him the ideal candidate for this role. He will also lead the revenue management work. I'm excited to see this transformation capability, which will allow us to in-source external consulting support, driving cost efficiencies.

I'd like to welcome Eric Christel, who has joined the company as Executive Vice President and Chief Financial Officer-elect. Eric is a seasoned finance leader with nearly two decades of experience in the food and beverage sector, including senior roles at Campbell's Snacks and PepsiCo. Most recently, he served as Senior Vice President and Chief Financial Officer of Campbell's Snack division, where he led the finance team through a period of growth, transformation and operational efficiency. His leadership helped grow sales and profitability through strategic pricing, marketing investments and international expansion. Prior to Campbell's, Eric served as Senior Vice President and Chief Financial Officer of the Americas at Dentsu. He has deep experience across financial planning and analysis, operating finance, strategy and transformation and franchise and company-owned operations with large operating P&Ls.

Eric will spend the next month getting hands-on restaurant training immersed in our restaurant and brand cultures. Michael will remain the company's Executive Vice President and Chief Financial Officer until September 8 and will collaborate closely with Eric to ensure a smooth and effective transition of responsibilities. They will work closely together on our go-forward strategy and financial processes.

Jessica Mitory will join our team officially next week as Senior Vice President, Chief Human Resources Officer. She will oversee human resources, compensation and benefits, recruiting, employee development and performance management. Jessica joins us from Advanced Auto Parts, where she was Senior Vice President, Global Total Rewards and Employee Experience and prior to that was at Pepsi Beverages North America. Jessica has worked in complex businesses in both company-owned and franchised operations for entire career. She brings broad HR experience, a people-first mentality and financial acumen to support the employee value proposition.

Ali Charri will join our team as Senior Vice President, Guest Insights and Analytics. He will lead the company's strategic and marketing brand positioning, guest insights and analytics and our digital capabilities. He brings over 20 years of experience in consumer insights, strategy and marketplace analytics across restaurants and consumer-facing brands. He most recently served as Senior Vice President of Strategy and Insights at Darden Restaurants. He will lead the brand positioning of our 4 founder-inspired brands and will work in partnership with each brand's marketing team.

Rafael Sanchez, Senior Vice President and Chief Information Officer, joined our team at the end of June. Rafael has over 25 years of IT leadership across the restaurant, retail, hospitality and entertainment industries. He recently served as Senior Vice President of Information Technology at Davidson Hospitality Group. Prior to Davidson Hospitality Group, he was the Chief Information Officer of Six Flags Entertainment and Feld Entertainment. His extensive background will be instrumental in integrating our technology to enhance the guest experience while also helping our team members to work more effectively.

Randy Scruggs has been promoted to Senior Vice President, Supply Chain. He has over 20 years of experience in the food industry, recently serving as our VP of Supply Chain. He and his team have collaboratively driven productivity with our partners while improving quality and specification standards. His expertise in sourcing and logistics and his passion for supporting our restaurant teams has been instrumental in the quality we provide our guests.

Tara Kurian has been promoted to Senior Vice President, IR, FP&A and International. Tara will take on expanded responsibilities within our international business. She will also partner with Michael on the strategy and transformation team as the primary financial lead. She recently served as our VP of Corporate Finance and Investor Relations. Her deep financial expertise, banking and business acumen position her well to succeed in this role.

Susan Cline has been promoted to Group Vice President, Strategy and Transformation and will support Michael Healy in his new role. Susan's 30 years of operational experience, starting as a hostess and managing partner at Outback will be critical in grounding our project management work from an Outbacker perspective and guest lens. Turning to our brands.

John Bettin will join the company at the beginning of September as Senior Vice President, President of Bonefish Grow. John is a strategic and operational leader with over 30 years of experience within the restaurant industry, where he began his career as a Sous chef. He most recently served as Chief Executive Officer of Miller Alehouse and prior to that was CEO of the Palm Restaurant Group. His strategic leadership, operational experience and guest-centric approach are well suited as we develop our future strategic plans for Bonefish Gro.

I want to thank Mark Graff for his years of dedicated service to our organization. His leadership helped shape our company's success and laid the foundation for the future of our brands. Mark will work with John to ensure a smooth transition over the next couple of months. The remainder of our executive and brand leadership teams remains the same. Our brand leaders have spent their careers as operators, growing sales and profits, serving guests with a passion and making an impact on people.

I am excited that we have the right team in place to foster a culture grounded in accountability, hospitality, inclusion and fun. We are in the early stages of turning around Outback. This team believes in our potential and is committed to the hard work to grow sales and profits in each restaurant. Before I move on to the business update, I wanted to thank our people. The more time I spend with our people and our guests in the restaurants as well as with our restaurant support center team members, I increasingly see the passion our people have about serving our guests, taking care of each other and making it happen every day. I'm proud to have the privilege of leading this organization.

I will now discuss our second quarter results and progress on our operational priorities. Our second quarter results highlight the progress we are making on our operating priorities. We saw sequential improvements in U.S. traffic, which was down 2% in Q2, 190 basis points better than Q1. Our Q2 sales comp of negative 10 basis points reflected an improvement from Q1 of negative 50 basis points. We had solid Mother's Day and Father's Day holidays across our brands. Traffic performance at Outback strengthened throughout the quarter, driven by the Aussie 3-course offering. We also saw continued positive comp sales growth at Carrabba's driven by strong off-premises, including catering and experiential wine dinners. Fleming's maintained sales momentum with strong holiday and in-restaurant traffic driven by events and catering platforms.

While we are making progress, we are still losing share in the industry as defined by Black Box. We know our in-restaurant dining is our biggest opportunity. We know that it will take time to reverse our market share trends given the state of our business, and we remain focused on improving our execution every day. We have made progress on our operational priorities. I'll first discuss simplify the agenda and driving consistency of execution before we discuss the Outback turnaround. Menu reductions across brands are now fully implemented. We expect further reductions to the Outback menu to be implemented as we learn more in tests. We streamlined menus, both on and off-premise, removed items with low sales mix, low satisfaction scores or items that did not travel well. We removed seasonal LTOs from Outback, which has allowed the team to focus on everyday execution. We introduced Aussie 3 course as the everyday value offer, which is easy for the restaurants to execute and is a great value for the guest. Aussie 3 Course was a large contributor to the traffic improvement we saw at Outback in Q2. The mix continues to be in line with our expectations and the value within the offer creates a mix headwind for us.

In the first half of Q3, we are lapping Aussie 3 course from last year, and then we expect a favorable lap for the second half of the quarter. We have favorable laps for the entire fourth quarter to finish the year strong. As I mentioned on the last call, we are continuing to monitor the effectiveness of all value programs and will iterate as needed.

Our leadership teams, including brand presidents, JVPs and MVPs are spending more time in the restaurants during peak hours and conducting multi-day visits to gather feedback from employees and guests. The goal is to identify and remove obstacles to deliver more consistent execution. We are leading with an operational mindset. Ziosk or as our Outbackers call the device tablemates have been completely rolled out at Outback for a little over 3 months now. Over 85% of guests are electing to use tablemates to complete payments in the restaurants, improving table turns by about 5 to 7 minutes. Additionally, we continue to gather real-time feedback through surveys and leverage AI tools to help managing partners efficiently address any service gaps. The good news is we are seeing traction in our simplification and consistent execution at Outback. We are seeing improvements in customer metrics in key areas like food and intent to return. While we are encouraged by the improvements, we know we need to do more in our everyday operations to deliver a consistent experience.

Beyond the everyday execution, we are focused on the Outback turnaround. We know we have three key areas to address in the what you get for what you pay for equation, and that is steak quality, service and value. Addressing these three areas, we believe, will drive sustainable traffic growth at Outback. We had 14 restaurants in test earlier this year, which was largely focused on menu simplification, innovation and guest experience. We are encouraged by what we have seen in the test, which provided guest learnings and Outback or feedback that has allowed us to expand testing to a total of 42 restaurants by the end of September. These restaurants will have integrated test cells with enhanced service models, steak quality, menu innovation and value components. We believe the expansion test will create a meaningfully improved guest experience and will be the foundation for the Outback turnaround.

Starting with the service model, we know we need to improve our service model to deliver a consistent guest experience. Two years ago, we implemented handheld technology for our servers to aid in pace and accuracy, increasing the server to table station ratios above industry standards. We transitioned to a 1:6 ratio with servers supported by server assistance. The increased table ratio has not delivered a consistent guest experience. I have seen this challenge for our teams and guests, especially during peak hours. We believe a lower server to table station ratio of 1:4, offset by a reduction in server assistance support will lead to a more consistent execution and speed of service. We are currently testing this revised service approach in select markets and are encouraged by what we are seeing.

On steak quality, we completed a thorough menu satisfaction survey earlier this year. With the survey results combined with Ziosk tablemates item level data, we are working with our strategic partners to improve our center-of-the-plate proteins, primarily our steak lineup and spec tolerances to enhance quality and craveability. We have tests in selected markets that include enhanced product specs and updated execution processes. As a steakhouse, we have to lead with great steak quality.

On menu innovation and value, we are testing opening price points across categories as well as different offerings, leveraging work we are doing on revenue growth management. Through testing that as enhanced service models, steak quality, menu innovation and value components, we believe we will drive greater frequency from our loyal guests as well as visits from lapsed and new guests. Given our average guest frequency of 2x per year, it will take some time to see the traffic benefits, and we will provide updates as we learn more.

We also started our brand positioning work, which complements changes in quality, service and value. Outback is a casual and craveable steakhouse at its core with great equities, and we need to be sharper in our positioning and consumer communication to differentiate ourselves within casual dining. This will enhance the effectiveness of our marketing. It is exciting work, and the results will amplify the efforts we are doing to improve the guest experience.

As I've said in our prior calls, we are focused on getting to the best outcome for the brand, for our Outbackers and for our guests, and we will continue to test until we have the right approach. Michael will speak in more detail, but expanding the test to more restaurants

requires approximately \$3 million of investments in 2025, which was not included in our prior guidance. As it relates to our assets, we have a thorough assessment underway that is looking at our network of restaurants, analyzing repair and maintenance costs, developing a refresh and remodel approach and completing a restaurant-level analysis based on profitability, site quality and trade area demand.

We completed the repair and maintenance survey at the end of the second quarter, and we'll use the findings to help prioritize the remodel scopes. We will do approximately 10 Outback remodels this year that have 3 different levels of spending scopes. These remodels will inform our approach for the next few years as we work through the balance of the system. As we have pulled back on new restaurant openings, we intend to repurpose those capital dollars towards remodels over the next few years. 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. We are encouraged by the expansion of the test sales to 42 restaurants, and we believe the test expansion will be the foundation for the Outback turnaround. Our intention is to be transparent as we work through our plan and provide elements of our strategy by the end of this year.

Before I turn it over to Michael, I want to reiterate that our priorities remain reinvesting back into our restaurants, reducing our debt leverage post the Brazil transaction and returning capital to our shareholders. Our liquidity is ample and our cash flow is healthy. We are committed to getting our leverage back to below a 3x lease adjusted net leverage ratio, but we know the solution will require a focus on debt paydown as well as completing the Outback turnaround. With that, I would now like to turn the call over to Michael to review our financial performance.

William Michael Healy

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 second quarter of 2025. Total revenues were \$1 billion compared to \$999 million last year. Restaurant sales were up, driven by net impact of restaurant openings and closures. This was offset by a decline in franchise and other revenue as the royalty rate on Brazil this year is less than the intercompany royalty received last year. U.S. comparable restaurant sales were down 10 basis points and traffic was down 200 basis points. These results were above our expectations. However, they were below the casual dining industry.

Average check increased 1.9% compared to 2024 as we invested in value offers for our guests. Our off-premises sales was 24% of total U.S. sales in the quarter, consistent with Q2 last year. Outback's off-premise sales was 26% in the quarter and Carrabba's was 35%. Our GAAP diluted earnings per share was \$0.29 compared to \$0.28 last year. Our Q2 adjusted diluted earnings per share was \$0.32 versus \$0.45 last year. \$0.32 was above our guidance of range of \$0.22 to \$0.27. The primary difference between GAAP and adjusted diluted earnings per share is due to approximately \$3.5 million of adjustments incurred in Q2 2025 as a result of the transformational and restructuring activities and approximately \$2 million 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.

Q2 adjusted operating margins were 3.5% versus 6.0% last year. The 250 basis point difference between this year and last year was driven by a decline in overall adjusted restaurant level margin by 200 basis points, COGS inflation of 3.3%. Similar to the first quarter, we used higher-priced inventory and had another quarter of negative product cost mix. We expect it to normalize in the back half of 2025. Labor inflation of 3.4% as we continue to experience inflationary pressure on wages. Additionally, we had approximately 50 basis points from an increase in our health insurance costs and higher restaurant operating expense year-over-year, driven by higher operating and supply expenses, mostly driven by inflation as well as 50 basis points from higher insurance expense.

Depreciation was slightly higher from last year, driven by new unit development. We had approximately \$6 million of tax benefit in Q2, driven largely by the reduction in our full year expectations and FICA tip credits, which I will explain more shortly. As it relates to our 33% retained ownership in Brazil, which is classified using equity method investment accounting, we recognized an impact of negative \$1.8 million in Q2. This was driven by the depreciation and amortization on a stepped-up fair value basis of accounting for the assets as well as interest expense from the acquisition debt on the company.

Turning to our capital structure. Total debt net of cash was \$867 million at the end of Q2. 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 2.7x on a net debt to adjusted EBITDA basis and 4.1x 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 3.0x.

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 it to our revolver balance. The Board declared a quarterly dividend of \$0.15 a share that is payable on September 3, 2025. We have \$97 million remaining under our share authorization program, which expires on August 13, 2025. We do not plan to execute share repurchases at this time.

Turning to our guidance. We are adjusting our adjusted diluted earnings per share range to be between \$1 and \$1.10, driven primarily by 4 items. We shared last quarter that the tariff impact was estimated to be a negative 20 to 40 basis points of impact to restaurant level margins in 2025. Due to the fluid nature last quarter, we did not include the estimated impact in our guidance. As the environment has somewhat settled, we now expect to be on the lower end of that range or approximately \$6 million spread across Q3 and Q4, and we have included it in our updated full year guidance. Importantly, at this time, we are not contemplating additional pricing actions this year to offset these costs.

As a result of higher general liability insurance claim costs driven primarily by the pace and cost of older cases that are now working through the court system, we anticipate increasing our balance sheet reserves to account for these trends, which will result in approximately \$6 million to \$8 million expense in our forecast spread across Q3 and Q4. The volume of claims has remained consistent year-to-year, but we are seeing an increase in average cost per case, which impacts how we reserve for open cases. This expense is included in our full year guidance.

We have a significant number of restaurants in test, including the 42 restaurant expansion as well as isolated tests for steak quality and service. We expect to incur approximately \$3 million in investments in quality, service and value, and that is now included in our full year guidance. The majority of this expense will impact Q4. We will scrutinize these investments to make sure we invest in areas where we expect a meaningful return. To be clear, this is not indicative of a full system launch. We would seek to refine the analysis and returns, identify cost offsets and design a staged rollout with pace sequencing and results paying for future investments. We are excited by these 42 restaurants as we believe they represent the holistic solution to our value, service and quality opportunities.

For the Bonefish Grill brand, traffic trends have been challenging. While the team remains very focused on improving the trend, we still see risk in this brand and have incorporated this in our guide. With this reduction in earnings per share, we will be in a higher tax benefit situation, which is driven by the tax benefit of FICA tip credits relative to lower earnings. We would expect a tax benefit in the range of approximately \$11 million to \$14 million on the year, which is included in our updated guidance. We will be on the low end of our capital guidance range or approximately \$190 million for the full year.

As Mike mentioned, we are doing a thorough assessment of our network of restaurants. Based on the outcome of this assessment, there may be operating or financial implications that are not included in our guidance. We will be transparent as we conclude this work later this year. As we focus on the turnaround at Outback, we are also aggressively looking for cost-saving opportunities and have engaged an external partner to work with us. Importantly, these opportunities will not be guest-facing or negatively impact operations. They will focus on other areas, including indirect expenses, contract negotiations and supplies, among others. We will share more as we identify opportunities to fund the Outback turnaround. As it relates to the third quarter 2025, we expect U.S. comparable restaurant sales to be between flat and negative 100 basis points. We expect Aussie 3 course to be a bigger impact on our sales in the back half of Q3 as we are lapping underperforming promotions from 2024. We expect Q3 adjusted diluted earnings per share to be between negative \$0.15 and negative \$0.10. This earnings per share range includes an estimated negative impact from our 33% Brazil ownership to be approximately \$1 million to \$2 million. And with that, we will open up the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] The first question comes from John Ivankoe with JPMorgan.

John William Ivankoe

The question is on Outback general managers. Obviously, your average unit volumes are not as high as some peers, which might limit you in certain styles of compensation. So I'm curious if you are considering other methods of change at the GM level to perhaps create desired financial or other operational outcomes for this important position.

Michael Spanos

John, our goal is to pay at the market average in terms of comp. And our current structure is good. And we're assessing the structure as part of the strategic plan. And we want a variable component just like the model was set up to drive growth in sales and profits, and that's the success of the restaurant. We remain committed to that model.

Operator

The next question comes from Jeff Bernstein with Barclays.

Jeffrey Andrew Bernstein

This is Pratik on for Jeff. Mike, just a bigger picture question on the Outback turnaround. Clearly, you're doing a lot of work in improving the service, the quality, the value, you're doing remodels. So obviously, there's a lot of initiatives currently going on. Can you just help us prioritize where you see the biggest opportunity in the near term? And if we were to kind of gauge this, what inning do you think you are in this process?

Michael Spanos

Well, as I've said, we're in the early innings and the turnaround takes time. And I think we'll continue to learn as we go forward. And I think the fundamental of this is it's all about we want to have a really good equation in terms of what you pay for what you get for. And what that means is we're going to be very focused on service model. We're going to be very focused on stay quality. We're going to be very focused on our value components, and we're going to continue to test and learn.

Operator

The next question comes from Alex Slagle with Jefferies.

Alexander Russell Slagle

I wanted to ask a little bit more on the Aussie 3 course and if you can dial in a little bit more on what you learned about these transactions and customers that ordered the deal, just if there's any info on sort of check size or add-ons or frequency? And just maybe some more thoughts on how you want to keep this offer fresh and evolve it going forward?

Michael Spanos

First, we said we're always going to iterate our everyday menu offerings. And we feel -- I feel really good about it. We've seen an increase in traffic. We've seen an increase in value satisfaction, and we've seen improved frequency out of our loyals. And I feel really good about it. And I think that's been the primary reason we've seen a nice traffic uptick, as I said, in Outback.

Specific to your question, as I've said before, we've seen that about 2/3 of the guests are trading up to the higher levels at the \$17.99 and \$2.99, which has been good. There is a bit of a mix headwind out of it, which -- but we know it's necessary and it's included in our

guide. I also like -- when you look at it, we've got about 20% of guests that are trading up on desserts as well. So I like the behavior. The guests like the value. They know the incentive curve and a big bunch of them are paying more for more.

Operator

The next question, Jeff Farmer with Gordon Haskett.

Jeffrey Daniel Farmer

You did touch on it a bit, but just drilling down on the initial 14 Outback test restaurants. Can you just share some of the more impactful or I would say, surprising early findings from this test group? What's really got your attention and your focus as you've looked at these 14 restaurants, even though it's been just a short period of time?

Michael Spanos

Well, the first thing we learned and I learned is the potential of the brand is tremendous. And the second is that guests love our craveable food in a fun casual environment where there's a no rules just right approach or an attitude. What we've also learned is there's a cumulative impact, which is part of getting the service model right, getting the steak quality right, getting the value right and the ambience right. And the last is, like anything, there's change management. You've got to train and drive execution, consistency of execution. And our Outbackers are incredibly proud to serve what we're doing in these test restaurants. So I'm very excited, and it takes time to build. You got to build momentum. But I'm really excited about based on what we've seen, and that's why we're moving to 42 to get a broader learning in terms of more geographies and see how we continue to build the brand and build the turnaround.

Jeffrey Daniel Farmer

And just one more quick follow-up. You did note that the traffic performance at Outback strengthened throughout the quarter, and it sounds like you're attributing the lion's share of that improved performance to the Aussie 3 course. But with the offering in place for the entire quarter, what drove that improved momentum? Again, understanding that it's been in place the entire quarter, but you did get stronger as the quarter progressed. So help us understand how -- or what role the Aussie 3 course played in driving that improving momentum as you move through the quarter?

Michael Spanos

Well, the lapse helped us in terms of it was just a better offer than what we had in terms of Dine Under previously. But I also want to give credit to Pat Haffner and the team. We're executing with more consistency. Our leaders are in the restaurants on the weekends. They're there during peak hours. We're driving consistency of execution, recipe adherence. And I think that's a big part of it. And then what you've got is we're marketing, getting folks in the restaurants with Aussie 3 course, but we're getting folks to come back as we're improving our service and our excellence. And I think that's the formula we've got to drive moving forward.

Operator

The next question comes from Brian Mullan with Piper Sandler.

Brian Hugh Mullan

I want to ask about the menu reduction actions in Outback. I think in April, you reduced by 10%. I guess, one, can you just talk about how that's going from a guest experience and an employee experience perspective? And then two, from the prepared remarks, it sounds like you might see the opportunity to take off more even if you do need to test it. So just talk about what's making you think there's still more room to go.

Michael Spanos

Well, our Outbackers really like it because we've simplified the operation. And we're also seeing our guests give us a response that we're just creating and developing and executing better products and executing much better, more consistently. In terms of the numbers, we're down about 15% on the menu, if you just go off the rough numbers. We were in the mid-80s. We got down to low

70s with the reduction in terms of menu items. And we'll continue to iterate and look to get into probably the mid-60s over time. That seems to be the right formula as we've been looking at the menu innovation, and we'll continue to do more.

Brian Hugh Mullan

Okay. And then a question on Carrabba's. -- good same-store sales result there, positive traffic. Maybe just talk to what was behind that strength. And I know the Outback turnaround is the #1 priority, but I'm wondering if there are some strategic changes going on at Carrabba's underway as well.

Michael Spanos

We did. The Carrabba's team, I'm really impressed with how they're thinking about daypart conversion. So I start there. That team has done a good job in terms of channels and converting guests across the day. And specifically strength, we saw good momentum on the experiential line dinners, events that bring in guests both for lunch and dinner in restaurant. We've seen really nice momentum on catering. We've had good luck with our Bistro sandwiches that have been driving the catering business as well as our OPD has continued to grow. So it's all of the above.

Operator

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

Sara Harkavy Senatore

This is Isaah on for Sarah. Just wanted to ask real quickly about the decision to pull back on advertising in the quarter. It seems to have helped out other OpEx. And then I have a follow-up after that.

Michael Spanos

Yes. So our advertising, we run about 2.5% of sales. And it wasn't -- I wouldn't call it a reduction. What we've reduced -- we've just gotten more effective with our marketing spend. We've reduced our nonworking marketing, less creative, less content, more focus on our ROIs, which channels we're pushing. And that's allowed us to just be more efficient and effective with our marketing.

Sara Harkavy Senatore

Got it. Very helpful. And then just a quick question on labor. It seems like it came in a little pressured this quarter. And appreciating that you spoke earlier about just lowering the server to table station ratio. Just want to know where we are with labor investments, what more there is to come, kind of how much has already been invested into labor year-to-date, just especially with labor inflation being the primary driver of the higher labor cost this quarter?

Michael Spanos

Well, I'll start with the service model in terms of the server to table station ratio as we're testing the 1:6 to 1:4. -- there, just to be clear, we're reallocating costs. We don't see that as a major investment just in terms of how your server assistant hours move off and then how you have your servers. So I don't see that in any way as any type of major investment. We also have really started to improve and look at how we drive our hot schedule AI laboring tools and the Outback team has gotten very behind that in terms of just flexing labor to flex labor up when we have more guests in the restaurants and flexing down when we have less demand in the restaurants. So it's really about just getting the right amount of people at the right time to take great care of our guests. And that's where we're flexing more. And I think you'll see more of that use of tools to be more efficient in the labor spend.

William Michael Healy

Yes. Just to share, as far as overall labor inflation, we've been running around 4%, which has been pretty consistent for actually almost a couple of years now. And so we anticipate that to be our go-forward inflation rate at least through the end of this year.

Operator

The next question comes from Jared Lezynski with BMO Capital Markets.

Unidentified Analyst

So you mentioned that the repair and maintenance survey was complete and are planning for 10 remodels in 2025. Could you provide any additional details on your survey findings and scope of work needed to be done to bring some of the older assets up to standard? And then any initial thoughts for the level of remodels we could potentially see in 2026?

Michael Spanos

I'd start with, we've done a lot of work on site quality as well as asset conditions. And I would say broadly on site quality, we're not seeing that as a primary issue for us in terms of the brand and how we think about the brand going forward. We have focused more on asset condition, which is why we decided to launch the repair and maintenance survey because I want to make sure that we had an environment that was good for our guests, good for our Outbackers and also creates a good safe environment out there. And that's helped us prioritize what we're going to do by restaurant.

We don't see that as a major increase in spend. It's more about how we prioritize and spend. In terms of remodels, we've looked at 3 different types of scopes because as you -- as we take forward these surveys, we've done 10 different Outback remodels with 3 different scopes. It's helping us go from what is a light touch, what is a refresh where we might spend a little bit more, but we're being very thoughtful in terms of one, addressing what we're finding in the R&M surveys as well as getting a good return on the money we put into the restaurants from a refresh, which is more of a lighter touch. And we think we can do those well. So you'll see us shifting, as I've said before, we're going to be shifting dollars from new restaurants into this remodel, refresh scope moving forward.

Unidentified Analyst

And then in the last call, you discussed scrutinizing all expenses with an expected G&A expense of \$215 million for the year. Has anything changed in that outlook? And how should we view these savings? And how much is expected to be structural as we head into 2026?

Michael Spanos

We don't anticipate any change to that \$215 million G&A number.

Operator

The next question comes from Teddy Farley with Goldman Sachs.

Unidentified Analyst

I was curious if you could give some detail on how Outback is performing in various regions of the country. You previously mentioned some weakness across the South. Are you still seeing that? And what, if anything, you're doing to position the brand better in those markets?

Michael Spanos

No. In Q2, we didn't see -- there's really no outliers. The performance was consistent across all geographies.

Operator

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

Michael Spanos

Thank you once again for your investment and support of Lumen Brands. I want to close by thanking our people for their passion, resilience and commitment to excellence. Thank you.

Operator

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

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