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Bloomin' Brands, Inc. (BLMN) Q4 2025 Earnings Call Transcript

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Q4: 2026-02-25 Earnings Summary

Insights

EPS of \$0.26 **beats by \$0.02** | Revenue of \$975.22M (-11.09% Y/Y) **misses by \$5.33M**Bloomin' Brands, Inc. ([BLMN](#)) Q4 2025 Earnings Call February 25, 2026 8:30 AM EST

Company Participants

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

Michael Spanos - CEO & Director

Eric Christel - Executive VP & CFO

Conference Call Participants

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Brian Harbour - Morgan Stanley, Research Division

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

Jeffrey Farmer - Gordon Haskett Research Advisors

Brian Mullan - Piper Sandler & Co., Research Division

John Ivankoe - JPMorgan Chase & Co, Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

Lauren Silberman - Deutsche Bank AG, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Presentation

Operator

Greetings, and welcome to the Bloomin' Brands, Inc. fourth quarter 2025 earnings conference call. [Operator Instructions]. Please note, this event is being recorded.

It is now my pleasure to introduce your host, Tara Kurian, Senior Vice President, Investor Relations, 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 fourth 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 fiscal fourth quarter 2025, current thoughts on fiscal 2026 guidance and an update on our turnaround strategy. Once we've completed these remarks, we'll open up the call 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 fourth quarter results and provide an update on our turnaround strategy focused on Outback. Eric will then review the financials and 2026 guidance.

Starting with our fourth quarter results, 2025 was centered on aligning the organization around operational priorities to build the foundation for our turnaround strategy with a focus on consistency of execution in food, service, experience and value to deliver a great guest experience.

We are seeing continued improvements in guest metric scores and traffic gains, reinforcing that our focus is driving momentum. We were pleased with our fourth quarter results and the steady gains we are seeing on traffic growth. Our Q4 comp sales were flat with U.S. traffic up 50 basis points. Although we trailed the industry as defined by Black Box by 40 basis points on comp sales, we narrowed the gap versus the industry by 280 basis points quarter-over-quarter. On traffic, we outperformed Black Box by 190 basis points in the quarter for the first quarter in 2025 that we beat the industry.

Our beat reflected a quarter-over-quarter improvement of 400 basis points from the third quarter. All of our casual dining brands executed affordable entry price points to meet the guests where they were economically. Between consistency of execution and providing affordable price points, we will continue to improve the what you get for what you pay for value equation.

In Q4, Outback comp sales were down 60 basis points with traffic up 90 basis points. This was the first quarter of positive traffic growth for Outback since quarter 4 of 2021. Outback continues to drive traffic from the Aussie 3-Course offering, both from increased frequency of use from our loyal Dine Rewards members and from recruitment of new users into the brand.

With three value tiers starting with an entry price point of \$14.99, we continue to see about 60% of the guests trading up to the higher tiers of \$17.99 and \$20.99. Carrabba's comp sales were up 160 basis points with traffic of negative 90 basis points. In-restaurant experiential wine dinners, lunch, catering and off-premises all continue to provide positive results and guest satisfaction.

Bonefish's comp sales were down 10 basis points with traffic of positive 230 basis points. Bonefish has steadily improved traffic growth in 2025, and this was the first quarter of positive traffic comp growth for the brand since Q1 of 2022. Improvements in traffic are the result of the team remaining focused on compelling day-of-the-week offers like the Martini Mondays and Bang Wednesdays and value offers such as the Ocean Mixed Grill and Prix Fixe Lunch.

Fleming's comp sales were up 10 basis points with traffic down 240 basis points. Fleming's has maintained its sales momentum driven by experiential dinners, elevated service and events and catering.

I will now review the key elements of our turnaround strategy that we discussed during our last earnings call, primarily focused on Outback. We feel confident in our results and the strong foundation we established to launch our turnaround strategy in November of 2025. 2026 will be an investment year to generate sustained traffic and profit growth.

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

We have a phased approach with the turnaround initiatives and investments, starting with delivering a remarkable dine-in experience. We have also kicked off work on the last strategic platform to invest in our restaurants as well as on generating non-guest-facing productivity savings.

As we move throughout the year, we will communicate transparently our progress across each of the platforms. I will now provide an update on our platform, starting with deliver a remarkable dine-in experience. We know delivering a remarkable dine-in experience at Outback starts with a commitment to steak excellence.

In November last year, we launched our new steak lineup, and the results are encouraging. We have strong and improving guest satisfaction and reorder intent scores, driven by our Standout Sirloin, new Bone-in Ribeye and new Half-Pound burger. The Sirloin, Bone-in Ribeye and burger all demonstrated immediate improvements in both guest satisfaction and reorder intent scores, while all new steak items are in the top box of menu satisfaction scores.

Our sirloins are tracking to where our fillets are on reorder intent, and we consider our fillets to be best-in-class in casual dining. Additionally, we've introduced a 15-ounce Delmonico Ribeye, a cut that we are very proud of and is demonstrating very encouraging satisfaction scores.

Outback Steakhouse is the only casual diner with this steak offering. Steak excellence also means a commitment to coaching and training to ensure our restaurant field leaders are subject matter experts on steaks. We completed an in-depth steak excellence certification training for our multiunit leaders at Outback.

Each leader is required to pass steak certification tests before they coach, train and certify their restaurant leadership. Combined with guest feedback by restaurant, gathered by using our Ziosk tabletops, we are measuring and ranking each location enabling our multiunit leaders and managing partners to quickly coach and recognize executional opportunities.

Within the Outback principles and beliefs, we commit that close is never good enough for Outbackers. We are getting back to our roots on steak leadership and will ensure steak certification training is part of our culture.

Our training and certification reinforces another element of delivering a remarkable dining experience, which is consistency of execution. Our trained and certified leaders are in the restaurants during peak hours to focus on operational excellence and accountability to standards. Coaching and KPIs center on steak accuracy, quality, guest intent to return and satisfaction.

We believe our focus on consistency of execution has translated into improved brand scores. In Q4, we saw a year-over-year increase in Outback's brand trust by 7 points, guest scores across food increased 5 points, service by 5 points, value by 3 points and atmosphere by 3 points.

The strong guests and team member response we are seeing in steak leadership and brand scores gives us the conviction to launch our next turnaround element of a remarkable dining experience, which is craveable service. We remain on schedule to introduce a revised service model in Q2 of this year.

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 believe a reduced ratio of 4 tables per server during peak hours, which is more in line with casual dining best practices and gets us back to our Outback roots will allow our Outbackers to provide a more consistent and enhanced experience for our guests.

As we improve our new steak lineup and service model, we also need to drive brand relevancy at Outback and differentiate the brand. We will embrace the core of our Aussie brand roots by inviting customers to come as our guest, leave as our mate. Sharpened brand positioning starts with our leadership as a steakhouse. Steak-centric brand communication will serve as the foundational element of our turnaround, helping to recruit new guests, reengage lapsed users and drive increased frequency amongst our loyals.

We are shifting our marketing approach to more digital than linear TV. In 2026, our media mix will be approximately 60% digital and 40% linear TV compared to approximately 33% digital and 67% linear TV in 2025. We are encouraged with our improved media ROIs. With discipline in communicating the right message in the right channels and at the right times, we are driving efficiency and effectiveness. We plan to increase marketing spend year-over-year concentrated in the second half of the year as we are confident in the consistency of execution in the steak lineup and service model enhancements.

Eric will provide more details on the phasing of investments. Reignite a culture of ownership and fun is our third platform. Our people are the key to our turnaround, and we remain focused on our managing partners. They are our owners and leaders. To retain and recruit the best partners, they need to be compensated competitively and incentivized to drive the operational priorities. We are committed to our people, and we know that when we take care of them, our Outbackers serve each other and the guests with pride and ownership.

An update on the fourth platform, which is to invest in our restaurants. As I've said on prior calls, we need to invest back in our restaurants. Our goal is to touch nearly all of the Outback restaurants by the end of 2028 with targeted initiatives to refresh the interior and exterior, spending between \$350,000 and \$400,000 per location. With this asset refresh approach, we will focus on guest-facing areas, areas that make a positive impact on restaurant ambiance.

Additionally, we will begin expanding char grill capacity in our Outback locations to support the new steak lineup. We expect to be done by the end of this year.

Lastly, we will maintain a test-and-learn culture at Outback. We have integrated the 42 test cell locations with steak quality, menu innovation, enhanced service models and value components. We will continue to use these restaurants to test innovation, value offerings, menu design and new ideas. We are confident that we have the right plan in place and are pleased with our progress to date.

Let me turn it over to Eric to review our financial performance for the quarter and how we are thinking about guidance for 2026.

Eric Christel

Executive VP & CFO

Thank you, Mike. Good morning, everyone. I would like to start by providing a recap of our continuing operations financial performance for the fiscal fourth quarter of 2025. Q4 total revenues were \$975 million, compared to \$972 million last year. Restaurant sales were up, driven by the net impact of restaurant openings and closures. This was partially offset by a decline in franchise revenue, as the royalty rate on Brazil this year is less than the intercompany royalty received in 2024.

As Mike mentioned, U.S. comparable restaurant sales were flat and traffic was up 50 basis points. While comparable sales were below the casual dining industry, our traffic beat the industry by 190 basis points, the first quarter this happened in 2025.

Average check declined by 50 basis points compared to 2024, as we continue to invest in affordable offers for our guests. Off-premises sales were 24% of total U.S. sales in the quarter, consistent with Q4 last year.

Outback's off-premises mix of sales were 26% in the quarter, and Carrabba's were 35%. Our GAAP diluted loss per share was \$0.14, compared to earnings of \$0.12 per share last year. Our Q4 adjusted diluted earnings was \$0.26 per share versus earnings of \$0.22 per share last year. \$0.26 was within our guidance range of \$0.23 to \$0.28.

The difference between GAAP and adjusted GAAP operating results is approximately \$46 million of adjustments in Q4 2025, primarily as a result of Bonefish goodwill impairment, restaurant closures and impairments, and transformational and restructuring activities.

Q4 adjusted operating margins were 3.4% versus 3.5% last year. The 10 basis point difference between this year and last year was driven by an 80 basis point decline in restaurant margin that was offset by lower G&A expenses, as well as lower impairment and closure costs. Within restaurant margin, COGS and labor were both elevated compared to last year, driven by commodities inflation of 4.7%, labor inflation of 3.2%, unfavorable product mix as we offered more value to our guests, and an increase in health insurance claim expense. COGS and labor were offset by lower other restaurant operating expenses, driven by lower advertising spend and lower general liability insurance expense.

As it relates to our 33% retained ownership in Brazil, which is classified using equity method investment accounting, we recognized a loss of \$1.3 million in Q4. The full year loss was \$4.7 million. Turning to our capital structure in Q4, total debt net of cash is \$728 million, which reflects approximately \$241 million of debt repaid in 2025. This was in large part driven by the proceeds received from the Brazil refranchising transaction.

We received the second installment in November and applied the proceeds to our revolver. This second installment was approximately \$124 million, which included approximately \$13 million of interest income on the receivable, net of withholding taxes.

As of the end of 2025, our leverage metrics were 3.9x on a lease-adjusted net leverage basis and 2.4x on a net debt to adjusted EBITDA basis. We have reduced our total debt from over \$1 billion at the end of 2024 to \$787 million at the end of 2025 through the Brazil proceeds and our disciplined prioritization on capital allocation. Before I get into the specifics of guidance, I want to reiterate the magnitude and phasing of our planned turnaround investments in 2026.

We plan to invest approximately \$50 million this year, which will be offset by approximately \$30 million of non-guest facing productivity, for a net investment of approximately \$20 million.

The \$50 million will support the investments in center-of-the-plate food quality, including Steak Excellence improvements and menu redesign of approximately \$25 million, investments in service and the guest experience of approximately \$7 million, and investments in our managing partners of approximately \$8 million. We also intend to increase our marketing by approximately \$10 million as part of the overall \$50 million investment.

In terms of phasing of the investments, the majority of the investments will be made in Q2 through Q4. We expect to see a step-up in marketing spend in the back half of this year. Productivity initiatives are in areas that are non-guest facing and will total approximately \$30 million in 2026, spread relatively evenly throughout the year.

Across both the brands and at the corporate level, we are renegotiating costs with suppliers, optimizing product selections, and eliminating unnecessary vendor spending. We are also focused on tighter processes in the restaurants, leveraging technology for increased data visibility and outlier management. We are optimizing labor scheduling and focusing on areas where we can simplify operations in the back of the house. We remain committed to our three-year target of \$80 million in productivity savings from 2026 to 2028.

Turning to our guidance this year, as it relates to fiscal 2026, we expect U.S. comparable restaurant sales to be between 0.5% and 2.5%. We expect total commodity inflation to be between 4.5% and 5.5%, driven in large part by beef inflation of high single digits.

Our supply chain team has worked diligently to keep inflation in both beef and other categories in check. We expect labor inflation to be similar to last year in the 3% to 3.5% range. We expect our adjusted diluted earnings per share range to be \$0.75 to \$0.90. Similar to last year, we are in a tax benefit situation driven by FICA tip credits relative to earnings. We expect an adjusted tax benefit in the range of approximately \$15 million to \$18 million in 2026, which reflects a negative annual effective tax rate.

We expect our 33% Brazil EMI ownership to reflect approximately negative \$3 million to negative \$4 million of impact this year, which is included in the adjusted diluted earnings per share guidance.

We expect capital expenditures to be between \$185 million and \$195 million for the full year. We are shifting capital dollars away from new units to refresh-type remodels.

Across remodels and normal course maintenance, this will be roughly 60% of our capital spend. We remain committed to refreshing nearly all of our Outback fleet by 2028 and expect to make good progress towards this in 2026. We expect to open 6 to 8 new units, and this total will reflect approximately 20% of spend, and the remainder will be for IT and infrastructure investments. As we mentioned in the last call, our capital allocation priorities are to, one, invest in the base business and two, pay down debt.

As it relates to the first quarter of 2026, thus far into the quarter, we have been negatively affected by the winter weather by approximately 2.2% on U.S. comparable restaurant sales and approximately \$0.08 of adjusted diluted earnings per share. This weather is included in our guidance.

Additionally, we expect Q1 U.S. comparable restaurant sales to be between flat and up 1%. We expect Q1 adjusted diluted earnings per share to be between \$0.57 and \$0.62. We expect the tax benefit to be the highest in the first quarter.

Let me now turn it back over to Mike.

Michael Spanos
CEO & Director

Thanks, Eric. While it is still early days in our turnaround, we are highly confident that our strategy will put Outback Steakhouse on the right course for sustainable, long-term profitable growth. We have a strong management team in place and a foundation rooted in operational excellence and consistent execution. We are pleased with our improvements in guest leading indicators, including 2 quarters of growth in brand scores and guest feedback. We are highly encouraged by our initial progress on the new steak lineup with positive feedback from our guests and our Outbackers.

We have a solid strategy in place, which is to: one, deliver a remarkable dine-in experience through 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. The 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. Their hard work and resilience during the recent snowstorms has been superb, operating safely and reopening quickly to serve our local communities. Thank you for your commitment.

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

Question-and-Answer Session

Operator

[Operator Instructions]. Today's first question comes from Jeffrey Bernstein at Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. My first question is just on the comp trends you're seeing. If you could maybe share the sequential trend you saw through the fourth quarter. It looks like comps came in a little bit light of expectation and maybe any color on the first quarter, quarter-to-date. I'm just wondering whether the comp at Outback and the broader system, where it sits relative to the flat to 1% guidance. I'm trying to figure out what you're assuming for the remainder of the quarter. Obviously, it's been choppy thus far, but any sequential trends that you could share would be helpful. And then I had one follow-up.

Michael Spanos

CEO & Director

I'd start with -- in terms of Q4, which is where I think you were going, we did see a change in trend. The first half of the quarter, we saw some strong trends. But in the back half, consistent with the industry, predominantly the last 6 weeks of the quarter, we did see a noticeable step down in traffic. To Q1, we saw a very strong start to the initial part of 2026 until we started dealing with some pretty extreme weather. I will point out Valentine's weekend, Valentine's week was very strong in terms of sales and profits. And I'll leave it at that in terms of Q1.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Okay. But your confidence level in that flat to plus 1, I know you mentioned 220 basis point hit to weather. Are you assuming any change in underlying consumer? Or is that purely just extrapolating what you've seen thus far and therefore, the flat to plus 1 reasonable?

Michael Spanos

CEO & Director

Yes, the latter. It's -- we don't see a big change in the trend of the underlying consumer. That's correct.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Got it. My follow-up was just more broadly speaking, it seems like you're encouraged. I mean it's only been a few months since you announced the turnaround plan, but positive traffic at Outback, definitely encouraging. I'm just wondering if you kind of thought about what inning are you in, in this turnaround? I assume it's quite early, but maybe what aspect do you believe is going to prove the most challenging to address. Clearly, you're having success in some components, but just wondering your feedback from consumers and operators, what do you think is going to be the most difficult part to turn?

Michael Spanos*CEO & Director*

Yes, Jeff, I'd say the second part of your question, the biggest hurdle and challenge and where we're most focused is on consistency of execution. What we're really oriented on is the long term and getting the leading indicators, what matters to the guests, what matters to our Outbackers. And I'd start there. I like our numbers there. As I said in the prepared remarks, we like the executional focus. It's yielding results.

When you look at Outback and you look at Technomic, we saw brand trust grow by 7 points. We saw food grow by 4 points, service by 4 points, value by 3 points, atmosphere by 3 points. And that was consistent with growth in Q3 as well. It is early innings. We got other things to do.

What I also like is we've been really focused on the phasing. So if you think about the other area I really like that is consistent with what we articulated in the last calls, I really like our steak execution lineup launch. I thought it was really good. The Outbackers are excited about it. We like what we did in November of '25. The Sirloin, the fillets, the Bone-in ribeye, burger are really showing great scores.

And I really give a big hats off to Pat Hafner. The steak excellence certification of our JVPs multiunit operators was tremendous, and that's going to flow into the managing partners in terms of coaching and recognition.

The last thing I would say on that, Jeff, which I like a lot is, remember, we got the team in place broadly in Q4. And the fact that we got brand presidents that are just seasoned operators that average about 34 years of experience per operator running restaurants is a big deal when you think about the long-term potential of the business.

Operator

And our next question today comes from Brian Harbour at Morgan Stanley.

Brian Harbour*Morgan Stanley, Research Division*

I wonder if you could also just talk about sort of value in the fourth quarter, like the Aussie 3-Course and such and how that sort of contributed to the results?

Michael Spanos*CEO & Director*

So Aussie 3-course, as I said, we continue -- I'll start there. We continue to feel real good about that. And as I said in the prepared remarks, we like the fact that about 60% of the guests are trading up to the \$17.99 and \$20.99. And we're getting a good uptick in dessert, up spends from the Cheesecake to the other desserts. That's been running over 10% and it continues to grow. And good balance of more frequency out of locals and some good recruitment out of new guests as well. We'll continue to evaluate that. So that's point one.

Second, maybe to the broader issue, we also -- we're test and learn culture, and we have some really strong traffic, and it was definitely punched up during the holiday periods. And so we know we got to turn the dial a bit on this. Our plan is to be right around that 2 points of mix into the pricing and getting to PPA, and we'll stay balanced. And I think that's the key is we're going to be very balanced in terms of the consumer value proposition, what we're doing with inflation to deal with the commodities, the spend back on mix to meet the guests where they are and how that gets into the PPA traffic equation.

Brian Harbour*Morgan Stanley, Research Division*

Okay. And can you remind us sort of the timing you expect for some of the remodels you're doing and how some of the most recent ones have performed?

Eric Christel*Executive VP & CFO*

Brian, it's Eric. So consistent with what we said in the fall, we expect to touch nearly all of our Outbacks over the next 3 years. We expect 2026 to make really good progress towards that goal. We're a little bit more back half weighted on the reset -- I'm sorry, the refresh timing. That's just more timing. And we referenced this last fall, but we've seen really, really good traffic pickup in Carrabba's.

When they did a light refresh program, they saw 1 to 2 points of traffic growth. And so we're not necessarily betting on that, but we're encouraged by the results we saw in Carrabba's, and we expect something similar for Outback as well. Yes. And the level of investment is essentially about \$350,000 to \$400,000 per restaurant, and that's fully contemplated in our capital plan.

Operator

And our next question today comes from Christine Cho at Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

So could you help us unpack some of the key variables in your 0.5% to 2.5% comp guidance for the year? How should we think about composition of price, mix traffic, particularly for Outback? And what are some of the factors that would get you closer to the high end of that range?

Eric Christel

Executive VP & CFO

Sure. Christine, it's Eric. Thanks for the question. Yes, so to unpack the comp sales guidance, essentially, you start with pricing. We see pricing in the mid-4s, so call it, 4.5% range of pricing. We -- just what Mike mentioned, we have an implied mix investment of about 2 points to continue to deliver value to our guests. That puts the average check PPA in at about 2.5% to 3%. And so the pricing at mid-4s is essentially we see commodities 4.5% to 5.5%, and we see total inflation 4% to 5% for full year.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Great. Another one on the investment and savings plans. I think you mentioned a couple of buckets where you can drive savings. Are there specific initiatives that are critical to achieving that \$30 million in non-guest-facing productivity gains? And how confident are you in delivering the full \$30 million in '26 without impacting kind of the restaurant level execution to support?

Eric Christel

Executive VP & CFO

Yes, it's a good question. Yes, we're very confident. First reference point, I would say is we delivered \$25 million of productivity in 2025. So the \$30 million, while not easy, it gives us confidence we can do that. Second, I would say the composition, consistent with what we said in the fall, it's non-guest-facing. It hits the buckets of indirect labor and G&A.

And a couple of examples, we're basically finding a lot of opportunity in essentially negotiating with our vendors proactively to try to basically go after spend and also reduce spend. We're finding a lot of opportunity as we look at each brand and also look at the concentrated spend across the brands. Yes, a lot of it boils down to contract negotiations, Christine, and we're just finding a lot of opportunity there.

Operator

And our next question today comes from Jeff Farmer at Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

A lot of moving pieces, obviously, but how should we be thinking about the restaurant level margin for the full year?

Eric Christel

Executive VP & CFO

Yes. Jeff, it's Eric again. Essentially, restaurant margins, you should think about that in the sort of mid-11s range for the year. And it's basically impacted mainly by the planned investments that we have in plan.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. And then tougher question to respond to. But in terms of the tax benefit range that's captured in your 2026 EPS guidance, any sort of help you can provide there?

Eric Christel

Executive VP & CFO

Yes. So \$15 million to \$18 million in full year tax benefit, and we feel like that's the highest we're going to see is actually in Q1. It's all related to the FICA tip credits that we have. And so as we -- as the quarters have more or less earnings, we're able to use those FICA tip credits as much as possible. So it's basically \$15 million to \$18 million full year benefit.

Operator

And our next question today comes from Brian Mullan at Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Just coming back to Outback. It sounds like Steak Excellence seeing a positive response. Presumably service and execution is going to get better with the labor changes soon. With that in mind, can you just talk about where you think the awareness stands on some of the changes you're making? And then what the marketing message will be as you ramp up the spending in the back half of the year and beyond?

Michael Spanos

CEO & Director

Yes. Good question. I'd start with the brand overall has incredible awareness. If I just look at the brand, that is not an issue as we've done studies. Now as far as the awareness of what we're doing from driving a remarkable dine-in experience, we're going to focus the marketing in the back half of the year. But first, as I said, we're going to be very sequential because I want to be sequential in terms of the Outbackers dealing with the change management and very chunk-sized bites. The first bite was launching the steak lineup in November of 2025. We're going to still stay very focused on that. Step 2 becomes rolling out the service model.

And then we're also going to be rolling out some MP compensation elements, which we'll describe live directly to our MPs. When we're feeling good about the consistency of execution, the ability to deal with that change management, we'll then start being clear with our marketing message because we know marketing brings folks in, but I want repeat and repeat is driven by executing every day in a great way. So they feel great about the quality, the service and the overall restaurant experience. That cumulative effect brings them back.

Brian Mullan*Piper Sandler & Co., Research Division*

Okay. And then just a question on the guidance, a clarification on the prior answer around productivity. Can you speak to what is embedded in the guidance from a G&A dollar perspective for 2026?

Eric Christel*Executive VP & CFO*

Yes. G&A of \$215 million. If you look at percent of sales, it's about 5.3% of sales.

Operator

And our next question today comes from John Ivankoe with JPMorgan.

John Ivankoe*JPMorgan Chase & Co, Research Division*

First, a question on remodels. \$350,000 to \$400,000 for freestanding casual dining box with some age on it is not a high number. So the question I would ask is, are you limited by balance sheet and just overall cash allowances, the amount that you can spend? In other words, how did you land on that \$350,000 to \$400,000? And I ask that in the context of, is this just one part of what might be a multiphase remodel as cash flow and overall brand economics permit?

Michael Spanos*CEO & Director*

We feel real good about the asset refresh plan. We're being very prudent. We're being very focused and disciplined. And remember, we did a very detailed outside maintenance survey by restaurant in 2025. And we've been really dealing with solving those specific issues by rooftop.

And so we do feel good about the \$350,000 to \$400,000. As we've said before, remember, about half of the locations have been already hit over the last few years, whether they're new or the remodel. So we're really dealing with about half of the fleet over the next 3 years.

So what we learned from Carrabba's, we've seen some good results when you do a good interior and exterior light touch. You hit the tables, you hit the chairs, you hit the floors, you hit the ceilings. On the outside, we're going to be sharp on the paint, the landscape and the lighting. We feel good about that, and we're focused on what's meaningful to the guest.

John Ivankoe

JPMorgan Chase & Co, Research Division

And just so I understand, the \$350,000 to \$400,000, that's not on average for all of your units, that's just for the half that need to be done. Is that correct?

Michael Spanos

CEO & Director

Yes, yes, exactly right, John. That's an average. You're going to have some that will spend more, and there may be some we don't spend given what we've already done with them. So that is an average. We got that average down. We communicated previously about \$400,000. We're seeing the average number sort of that range between the \$350,000 and \$400,000 number.

John Ivankoe

JPMorgan Chase & Co, Research Division

So. okay. Maybe I misunderstood this. So maybe half of your units are spending \$700,000 to \$800,000 and then another half are spending close to zero? Or am I oversimplifying that?

Michael Spanos

CEO & Director

Yes, that would be an oversimplification, John. We would have some outliers that you could spend up where we're doing a true remodel. But the broad amount of the Outbacks, okay, the broad amount, the median would be right in that \$350,000 to \$400,000 range.

John Ivankoe

JPMorgan Chase & Co, Research Division

Okay. I think I understand that. Okay. And the next question, you mentioned in your prepared remarks a couple of things, but a lot of things actually. Tighter controls, I think, specifically maybe around just cost and tolerance at the store level, but you also have, I think, an admirable intention to increase employee satisfaction and the amount of fun working environment that they have. Now I mean, a lot of us know from a lot of different ways, it's like kind of the tighter the controls, maybe the less fun the employee actually has. So hopefully, that question is kind of coming across kind of correctly. So in a very human resource kind of dynamic environment, how do we balance improved employee satisfaction with what sounds to be even tighter controls around tolerances at the store level?

Michael Spanos*CEO & Director*

Yes, John, I like the question. I would describe it as connected autonomy. We're an entrepreneurial culture, and that's not changing. We -- if you look at our principles and beliefs, we define success at the restaurant by the sales and profit growth that is enabled by that managing partner that serves that guest. That's not going away. So part of that is -- and I'll get to the MP comp. We have got to be competitive. Part of that reducing turnover, having a lot of fun is people walking in the door at the partner level feeling they've got a competitive wage, competitive total compensation, so we can retain and recruit the best talent. That's good for the team. It's good for turnover. It's good for the brand. It's good for the guest experience.

Now there's also things, John, second, we're finding that we can lift and shift great ideas from the restaurants, use technology where we're not burdening our partners with a lot of work where we can get productivity. That can be technology and labor, that can be in our indirect spends, the way we deal with a lot of the suppliers, the way we buy toys that go into drinks, you name it. So what we -- that's what we're balancing. And so we know we're very local and we're local to our communities. That's not going to change.

Operator

And our next question today comes from Andrew Strelzik at BMO.

Andrew Strelzik*BMO Capital Markets Equity Research*

First, I was hoping you could talk a little bit about what you're seeing in terms of the new service model test, maybe in terms of traffic or frequency, guest metrics versus the rest of the system or any other learnings from that test? And maybe how that's built through the course of the test as you get ready for the 2Q rollout?

Michael Spanos
CEO & Director

Andrew, yes, so we really like the service model in terms of what we saw in the test. As I'd mentioned on a previous call, and we continue to see it where we had a run in a test. When we saw intent to return, attentiveness to the server, likelihood to recommend the server, those scores all popped positively. And we also got good feedback from our Outbackers.

And remember, we're using our Ziosk data, our tabletops to understand how this is working by location and by shift. I feel really good about it. So again, we'll go from 1 server to 6 table station ratio to 1 server to 4 tables during peak. And we think that's the right level of interaction. We think that's consistent with the balance of casual dining. It really goes back to the root of the brand when we started as well. It's about a \$7 million investment because the nice thing with this one is there's a lot of redeployment of labor. We've got a pretty heavy SA or server assistant pool that's out there. So a lot of those folks get redeployed into server roles. And this is why we're also being very sequential and thoughtful.

You got to train up all the folks that are going into server roles, whether you're recruiting from the outside or you're training up your SAs into those roles. And I want to make sure we get Steak Excellence right first before we start putting that additional change management on the partners.

Andrew Strelzik
BMO Capital Markets Equity Research

Okay. That's helpful. And then just on the commodity inflation, how much visibility do you have to that at this point? Maybe how much you have locked in and kind of the cadence of that inflation through the year?

Michael Spanos
CEO & Director

Andrew, thank you. Good question. So on commodities, just as a reminder, we have a pretty unique supplier relationship where we pretty much lock in beef. So we've locked that in for the year, basically high single digits. That's part of our overall guidance. We feel good about that. And at this point in the year, approximately 70% to 80% of our costs are already locked up.

Operator

And our next question today comes from Lauren Silberman with Deutsche Bank.

Lauren Silberman

Deutsche Bank AG, Research Division

I wanted to just start on the average check. I know most of the mix pressure you're seeing is intentional initiatives. Outside of that, are you seeing any signs of check management, changes in behavior, whether that's attachment on apps, alcohol or anything else to call out?

Michael Spanos

CEO & Director

Yes, Lauren, if I look at Q4, specific to that, the only place we probably did see some sensitivity was in some of the older cohorts. They manage their checks across all the brands a bit. When I look at all of our mix levers or attachments, be it desserts, appetizers or BWL, we really didn't see any changes that were material at all. So it's really that elderly cohort that we saw a little bit of sensitivity on check management.

Lauren Silberman

Deutsche Bank AG, Research Division

Great. And then I just want to follow up on the restaurant margin cadence. How we should think about pressure or puts and takes across line items as we move through the year? Could we assume a little bit more pressure in the back half given the investments that you're making? Or any color that you can give there? I don't know if commodity inflation you expect pretty similar in the 4.5% to 5.5% range throughout the year.

Eric Christel

Executive VP & CFO

Yes. thank you for your question. So first quarter, we expect to have the highest and then it basically lowest as we get to the second half of the year.

Operator

And our next question today comes from Dennis Geiger at UBS.

Dennis Geiger

UBS Investment Bank, Research Division

I wanted to ask about the 42 test locations. And maybe when you guys spoke to the service model and test, maybe you were kind of covering those 42 test locations. But if not, is there anything incremental to share on those locations? What kind of sales lift maybe you're seeing? I don't know if that would make sense given they are just test locations. Anything more to share on the latest update on those locations?

Michael Spanos

CEO & Director

No, Dennis. What I would say is we really encouraged what we saw in the initial stages of the 42 test locations. We had really good cumulative results in terms of steak quality, service model, experience marketing and the value components. And they showed nicely and highly encouraging across traffic, guest satisfaction, value scores and the Outbacker feedback. So all positive. It definitely validated what we're doing. It validated that we got the right strategic plan. We're confident that we can grow traffic and execute the platforms with success.

And it really helped us know we got some no-regret investments, which I like to call them. We know we got to get steak quality right, service right, and that hospitality experience right. Where we're pivoting as we've integrated those 42 test locations, we're really now focused on leveraging them to learn on menu design, innovation, affordable opening price points and value. So it will enhance our test and learn culture. And as we learn more, it allow us to launch and learn a lot faster.

Dennis Geiger

UBS Investment Bank, Research Division

That's great. Makes good sense. And then just on the comp outlook for the year, curious on the cadence. Obviously, you gave us the first quarter, so we've got a good sense for where the next 3 quarters have to be, of course.

Anything though in thinking through the cadence there over the 2Q through 4Q as you layer in the marketing and some of the initiatives through the year? Do we see a strengthening of the traffic as the expectation as you go through the year? Any color there to share?

Michael Spanos
CEO & Director

Well, I'd say, first, we're cautiously optimistic on what we're doing across the board. I think that's very clear in the guidance we laid out there. And obviously, we're learning as we go. We want to start with the steak. We want to start with service. And then the back half of the year, we want to ramp up the marketing. But where our focus is on what we can control. We're focused on the strategic horizon. We're focused on controlling execution, getting the consistency right. And if we do that well, the numbers will follow.

Operator

And our next question today comes from Brian Vaccaro at Raymond James.

Brian Vaccaro
Raymond James & Associates, Inc., Research Division

Thanks for all the color on the initiatives. You noted some investments that you're going to be making in the managing partners. Can you just remind us or elaborate on what that investment looks like and if there are structural changes there or new incentive targets that you're implementing?

Michael Spanos
CEO & Director

Brian, I won't get into the specifics because I do want the managing partners to hear that from Pat directly. What I would say is this, it's consistent what I answered in the previous question, which is we need to start with making sure we have our folks in the competitive position in the market, whether we're retaining or recruiting our partners. They got to be competitive, and that reduces turnover in the restaurant. Of course, we're going to always want them tied to the P&L of the restaurant while we also make sure they're feeling good about that base salaries as they come in.

And we're going to want to make sure [Technical Difficulty] organization. But it gets back to the principles and beliefs. At the end of the day, what we want is a competitive wage, and we want success to be amplified, which is defined by growing the sales and profits of our restaurants.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Understood. Okay. And sorry if I missed it earlier, but on CapEx, did you say how many remodels do you expect to complete in '26? And what's a good sort of annual maintenance CapEx run rate to be thinking about?

Eric Christel

Executive VP & CFO

Yes. Brian, it's Eric. The way you should think about it is approximately 100 a year for the next 3 years. That puts us in the zone of touching all the remaining Outbacks. And then your other question was on maintenance capital.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Yes. Yes, maintenance CapEx within the cash flow statement, not R&M on the P&L, but in the CapEx number.

Eric Christel

Executive VP & CFO

Yes, it's about \$75 million a year, pretty consistent. We're not expecting that to really go massively up or down versus prior year.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Okay. And then last one, just on marketing. You noted it was down in the fourth quarter. Could you level set -- I know it will be in the 10-K, but could you level set where marketing spend came in for the year overall? And then is first half marketing down year-on-year in those first 2 quarters? Or should we think about it more as flat year-on-year and then it's up year-on-year in the back half of the year?

Eric Christel*Executive VP & CFO*

Yes. So advertising came in for the full year 2025 at about 2.4% of revenue. Q4 came in at about 2.2% of revenue, so just slightly less than the full year.

And then for the full year 2026, we see it basically being mid- to high-2s, and that's mostly driven by the Outback investments. And it's mostly second half, again, to correspond with the phased investments to come right after the service model.

Operator

And that concludes our question-and-answer session. I'd like to turn the conference back over to 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 passion and commitment to each other and our guests. Thank you.

Operator

Thank you. And that concludes our conference call for today. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

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