RADCOM LTD
Form 424B5
October 19, 2017

Filed pursuant to Rule 424(b)(5)
Registration No. 333-210448

PROSPECTUS SUPPLEMENT
(To prospectus dated May 4, 2016)

1,444,814 Shares

RADCOM Ltd.

Ordinary Shares

We are offering 1,444,814 of our ordinary shares. Our ordinary shares are listed on the NASDAQ Capital Market under the symbol “RDCM.” On October 17, 2017, the last reported sales price of our ordinary shares on the NASDAQ Capital Market was $20.25 per share.

Investing in our ordinary shares involves a high degree of risk. Before buying any shares, you should review carefully the risks and uncertainties described under the heading "Risk Factors" beginning on page S-6 of this prospectus supplement, on page 3 of the accompanying prospectus, under Item 3.D. — "Risk Factors" in our most recent Annual Report on Form 20-F and under similar headings in the other documents that are incorporated by reference into this prospectus supplement.

	Per Share	Total
Public offering price	$19.50	$28,173,873
Underwriting discounts and commissions[1]	$1.17	$1,690,432
Proceeds to us, before expenses	$18.33	$26,483,441

(1) The underwriters will also be reimbursed for certain expenses incurred in this offering. See "Underwriting" for details.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters an option for a period of 30 days to purchase up to an additional 216,722 ordinary shares. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us

will be $1,943,997 and the total proceeds to us, before expenses, will be $30,455,955.

Delivery of the ordinary shares is expected to be made on or about October 20, 2017.

Joint Book-Running Managers

William Blair Needham & Company

The date of this prospectus is October 18, 2017

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ABOUT THIS PROSPECTUS SUPPLEMENT

A registration statement on Form F-3 (File No. 333-210448) utilizing a shelf registration process relating to the securities described in this prospectus supplement was initially filed with the Securities and Exchange Commission, or the SEC, on March 29, 2016, and was declared effective on May 4, 2016. Under this shelf registration statement, of which this offering is a part, we may, from time to time, sell up to an aggregate of $50 million of our ordinary shares. Prior to this offering, we have sold $23 million of our ordinary shares under this shelf registration statement.

This document contains two parts. The first part is this prospectus supplement, which describes the terms of this offering of our ordinary shares, and also adds to, updates and changes information contained in the accompanying prospectus and the documents incorporated herein and therein by reference. The second part is the accompanying prospectus, which gives more general information about us, some of which may not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document filed prior to the date of this prospectus supplement and incorporated herein by reference, the information in this prospectus supplement will control. In addition, this prospectus supplement and the accompanying prospectus do not contain all of the information provided in the registration statement that we filed with the SEC. For further information about us, you should refer to that registration statement, which you can obtain from the SEC as described elsewhere in this prospectus under "Where You Can Find More Information and Incorporation of Certain Information by Reference." You may obtain a copy of this prospectus supplement, the accompanying prospectus and any of the documents incorporated by reference without charge by requesting it from us in writing or by telephone at the following address or telephone number: Radcom Ltd, 24 Raoul Wallenberg Street, Tel Aviv 69719 Israel, Telephone: +972 77-774-5000.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying prospectus. This prospectus supplement is not an offer to sell or solicitation of an offer to buy these securities in any circumstances under which the offer or solicitation is unlawful. We are offering to sell, and seeking offers to buy, our securities offered hereby only in jurisdictions where offers and sales are permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus, respectively, or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement or of any of our securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, all references in this prospectus supplement to "we," "our," "our company," "Radcom," "us" and the "company" refer to Radcom Ltd., an Israeli company.

All references in this prospectus supplement to "ordinary shares" refer to Radcom's ordinary shares, par value NIS 0.20 per share. We sometimes refer to our ordinary shares to be offered under this prospectus supplement as the "securities."

All references to "NIS" are to New Israel Shekels, the lawful currency of Israel.

All references to "dollars" or "$" are to United States dollars, the lawful currency of the United States.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the "Risk Factors" sections, starting on page S-6 of this prospectus supplement, on page 3 of the accompanying prospectus and under Item 3.D. — "Risk Factors" in our most recent Annual Report on Form 20-F, as well as the financial statements and notes thereto, and the other information incorporated by reference herein, before making an investment decision.

Radcom Ltd.

Overview

We believe we are a leading provider of Network Functions Virtualization, or NFV, service assurance and customer experience management solutions for communication service providers, or CSPs, who use our solutions to deliver high quality services, reduce churn, manage network performance, analyze traffic and enhance customer care. For more than three years, we have been a leading provider of software-based solutions and cloud native virtualized solutions.

MaveriQ, our cloud native and NFV-based software platform, incorporates cutting-edge technologies and a wealth of knowledge acquired by partnering with many of the industry's leading CSPs for over two decades. Our carrier-grade solutions support both mobile and fixed networks and scale to terabit data bandwidths to enable big data analytics. We have a strong track record of innovation, and we were the first-to-market with a software-based probe solution that is cloud native and supports NFV for next-generation software-centric networks.

AT&T chose our MaveriQ solution in December 2015 for its next-generation virtualized network environment, and since that time we have continued to evolve our solution to meet the high-level requirements of AT&T, as they transform their network to NFV. We believe that AT&T’s deployment represents the first NFV network of scale in the industry. We are continuing with the deployment of our software-based NFV solution with AT&T, while deepening, expanding and enhancing our product capabilities, to ensure the best performance of service assurance in an NFV environment.

Since the AT&T virtualization plan is a major transformation in the industry and since AT&T is a very large scale carrier with a very large network, we have created MaveriQ A+ product releases focused on the needs of the top tier carriers, focused on very large scale deployments, high availability, geographic redundancy and advanced automation of deployments and automatic scaling and resolving errors of virtual probes. The ongoing work we do with AT&T has put us in a unique first mover position where our technology, coupled with the knowledge we have, and continue to gain, is valuable to CSPs migrating to NFV. We believe that the market recognizes that we have a cutting edge and a differentiated product from our competitors. We are leveraging this success in marketing activities and technical evaluations with other CSPs that are planning the migration of their networks to the next-generation NFV architecture.

Our solutions deliver specialized capabilities for virtualized infrastructure and next-generation mobile and fixed networks, such as Long Term Evolution (LTE), LTE-A, Voice over Long Term Evolution (VoLTE), IMS, Voice Over IP (VoIP), WiFi, Voice Over WiFi (VoWiFi), UMTS/GSM and mobile broadband and allow CSPs to monitor and proactively improve quality of experience for their subscribers. The key benefits of our solutions are:

- advanced software-based architecture that is cloud native and includes a high degree of automation;

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greater ability to install the solution as a virtual network functions for seamless integration into all NFV infrastructures;

- ease and accelerated deployment of new services and migration to NFV;
- improved customer retention;
- reduced subscriber churn rates;
- improved service availability and quality;
- unique ability to correlate session information and provide an end to end view;
- scalability for next-generation services;

- enhanced ability to collect all network packets for a complete and comprehensive view of the network and the customer experience;

- increased operational efficiency and lower costs;

- the inclusion of support for multiple protocols for end-to-end network coverage;

- the existence of both network-wide views and drilldown to an individual subscriber level;

- the support for terabyte networks;

- substantially quicker and smoother deployment of our solution;

- real-time capabilities; and

- end to end view of the customer experience.

The probe-based service assurance market is estimated to be more than $1 billion globally according to published sources. Probe solutions are a critical part of a modern CSP network, and as CSPs expand their network capacity and launch new services, such as LTE, LTE-A, and VoLTE, they invest in probe solutions to assure these services and deliver a high quality experience to their customers. Traditionally CSPs have deployed network architectures based on a complex array of physical network elements based on proprietary hardware.

Major CSPs are currently evaluating and/or moving parts of their network to support NFV, which moves control of the network into software-based solutions running on standard, non-proprietary third-party hardware. According to Infiniti Research, Inc., the global market for NFV software was valued at $2.43 billion in 2015 and will reach $10.33 billion by 2020, growing at a compound annual growth rate of 33.57%.

However, transitioning to NFV adds significant complexity when it comes to service assurance and customer experience management. Legacy probe and management solutions were not designed for NFV-based architectures. Whereas prior solutions focused on monitoring physical network devices, new solutions must also monitor internal Virtual Machine-to-Virtual Machine (VM-to-VM) communications between various virtualized network functions all hosted on the same server as well as communications between servers.

Our software-based solutions enable CSPs to manage next-generation, NFV-based architectures, in addition to existing physical networks. Our service assurance and customer experience management solutions monitor large volumes of data and support NFV-based network deployments, which are required by the substantial growth the CSPs need to support.

As new and existing customers seek to manage their existing networks while deploying or evaluating NFV-based architectures, we believe we are well positioned with our advanced cloud native and NFV-based solutions and industry track record.

In the last year, we have enhanced and expanded our presence in North America, to accommodate the growing needs of present and potential customers.

Our principal executive offices are located at 24 Raoul Wallenberg Street, Tel Aviv 69719 Israel, and our telephone number is +972 77-774-5000. Our U.S. office is located at 6 Forest Avenue, Paramus, New Jersey, 07652.

Recent Developments

In September 2017, we entered into a new NFV contract with a world leading top tier CSP for our fully virtualized cloud native MaveriQ solution. The NFV contract covers assurance for a virtualized network domain, which is the first part of the network which the CSP is moving to NFV. This contract provides a framework for additional orders by the operator as this operator progresses in its NFV migration plans. The revenue from this contract is dependent on, among other factors, the pace of the migration of traffic and additional network elements to the NFV network by this operator. We expect that the revenue from this initial phase may contribute over $5 million of revenues in 2018 and can potentially grow above that within the contract's framework.

We are in the final stages of signing a three year contract extension with an existing leading Tier 1 CSP in the APAC region to continue to provide and expand service assurance for their mobile network, and assure their future transformation to NFV. This three-year contract, together with an expansion contract signed earlier in 2017, is for total compensation of approximately $15 million.

Below is a summary of certain preliminary estimates regarding our financial results for the quarter ended September 30, 2017. This preliminary financial information is based upon our estimates and is subject to completion of our financial closing procedures. Moreover, this preliminary financial information has been prepared solely on the basis of information that is currently available to, and that is the responsibility of, management. Our independent registered public accounting firm has not audited or reviewed, and does not express an opinion with respect to this information. This preliminary financial information is not a comprehensive statement of our financial results for the quarter ended September 30, 2017 and remains subject to, among other things, the completion of our financial closing procedures, final adjustments, and completion of our internal review for the quarter ended September 30, 2017, which may materially impact the results and expectations set forth below.

- Our estimated, unaudited revenue for the quarter ended September 30, 2017 was approximately $9.6 million compared to $7.7 million for the quarter ended September 30, 2016.

- Our estimated unaudited cash and cash equivalents as of September 30, 2017 were approximately $33.6 million compared to $42.9 million as of December 31, 2016.

THE OFFERING

Ordinary shares offered	1,444,814 shares (1,661,536 shares, if the underwriters exercise their option to purchase additional shares in full)
Ordinary shares outstanding prior to the offering	11,717,389 shares
Ordinary shares to be outstanding after this offering	13,162,203 shares (13,378,925 shares, if the underwriters exercise their option to purchase additional shares in full)
Option to purchase additional shares	We have granted the underwriters an option for a period of 30 days after the date of the underwriting agreement to purchase up to 216,722 additional ordinary shares as described in "Underwriting."
Use of proceeds	We expect the net proceeds from this offering will be approximately $26.2 million (or $30.2 million if the underwriters exercise their option to purchase additional shares in full) after deducting underwriting discounts and commissions, as described in "Underwriting," and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, which include financing our operations, capital expenditures and corporate development. See "Use of Proceeds" on page S-9 of this prospectus supplement.
Risk factors	This investment involves a high degree of risk. See "Risk Factors" beginning on page S-6 of this prospectus supplement, on page 3 of the accompanying prospectus and in the documents incorporated by reference herein (including under Item 3.D. — "Risk Factors" in our most recent Annual Report on Form 20-F) for a discussion of the risks you should carefully consider before deciding to invest in our ordinary shares.
NASDAQ Capital Market symbol	"RDCM"

Unless otherwise stated, all information in this prospectus supplement is based on 11,717,389 ordinary shares outstanding as of October 17, 2017 and assumes no exercise of the underwriters' option to purchase additional shares and does not include 602,802 ordinary shares issuable upon the exercise of share options outstanding under our 2003 Share Option Plan and our 2013 Share Option Plan, at a weighted average exercise price of $11.65 per share and 161,854 ordinary shares issuable upon the vesting of outstanding restricted share units.

SUMMARY CONSOLIDATED FINANCIAL DATA

We have derived the following summary consolidated statements of operations data for the years ended December 31, 2016, 2015 and 2014 and the summary consolidated balance sheet data as of December 31, 2016, 2015 and 2014 from our audited consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. We derived the summary consolidated financial data as of June 30, 2017, and for the six months ended June 30, 2017 and 2016, from our unaudited condensed consolidated financial information incorporated by reference in this prospectus supplement and the accompanying prospectus. The unaudited condensed financial data as of and for the six months ended June 30, 2017, in the opinion of management, contains all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our financial position and results of operations for the period. Our interim results as of and for the six months ended June 30, 2017 are unaudited and we cannot assure you that upon completion of the audit by our independent auditors of our results for the year ending December 31, 2017, we will not report different financial results than those set forth below. Further, our results for interim periods are not necessarily indicative of the results that may be expected for the entire year. You should read the information presented below together with our consolidated financial statements, the notes to those statements and the other financial information incorporated by reference in this prospectus supplement and the accompanying prospectus.

Statement of Operations Data:

(in thousands of U.S. dollars, except share and per share amounts)

	Six Months Ended June 30,		Year Ended December 31,		
	2017 (unaudited)	2016 (unaudited)	2016	2015	2014
Revenues:					
Products and related services	$4,978	$822	$8,642	$15,500	$18,342
Projects	10,633	11,425	17,534	622	2,205
Warranty and support	1,346	1,500	3,334	2,551	3,089
	16,957	13,747	29,510	18,673	23,636
Cost of revenues:					
Products and related services	2,294	1,880	5,603	3,924	7,863
Projects	2,207	1,812	2,902	117	487
Warranty and support	164	137	477	285	343
	4,665	3,829	8,982	4,326	8,693
Gross profit	12,292	9,918	20,528	14,347	14,943
Operating expenses:					
Research and development	5,227	3,468	8,047	6,071	5,812
Less - royalty-bearing participation	312	756	1,693	1,582	1,664
Research and development, net	4,915	2,712	6,354	4,489	4,148
Sales and marketing, net	5,886	3,259	8,528	7,834	7,295
General and administrative	2,158	2,027	4,523	2,393	2,262
Total operating expenses	12,959	7,998	19,405	14,716	13,705
Operating (loss) income	(667)	1,920	1,123	(369)	1,238
Financial income (expenses), net	150	736	816	(433)	(332)

(Loss) income before taxes on income	(517)	2,656	1,939	(802)	906
Taxes on income	(23)	(6)	(24)	(121)	(180)
Net (loss) income	$(540)	$2,650	$1,915	$(923)	$726
Basic net (loss) income per ordinary share	$(0.05)	$0.28	$0.18	$(0.11)	$0.09
Weighted average number of ordinary shares used to compute basic net (loss) income per ordinary share	11,673,240	9,322,930	10,406,897	8,572,681	8,088,974
Diluted net (loss) income per ordinary share	$(0.05)	$0.27	$0.18	$(0.11)	$0.08
Weighted average number of ordinary shares used to compute diluted net (loss) income per ordinary share	11,673,240	9,733,037	10,779,547	8,572,681	8,592,387
Balance Sheet Data:					
Working capital	$40,086	$36,830	$38,854	$9,643	$10,062
Total assets	$53,906	$56,889	$54,568	$20,135	$20,318
Shareholders' equity	$41,486	$37,377	$40,143	$9,863	$10,262
Share capital	$530	$510	$523	$372	$361

RADCOM Ltd.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(1000s of dollars, except share and per share data)

	Six months ended June 30, (unaudited)		Year ended December 31, (unaudited)		
	2017	2016	2016	2015	2014
GAAP gross profit	12,292	9,918	20,528	14,347	14,943
Stock-based compensation	67	42	118	33	12
Importation tax write-off	-	-	388	-	-
Inventory write-off	-	-	-	170	1,797
Non-GAAP gross profit	12,359	9,960	21,034	14,550	16,752
GAAP research and development, net	4,915	2,712	6,354	4,489	4,148
Stock-based compensation	242	239	625	529	178
Non-GAAP research and development, net	4,673	2,473	5,729	3,960	3,970
GAAP sales and marketing, net	5,886	3,259	8,528	7,834	7,295
Stock-based compensation	272	51	199	380	146
Commission write-off	-	-	-	-	176
Non-GAAP sales and marketing, net	5,614	3,208	8,329	7,454	6,973
GAAP general and administrative	2,158	2,027	4,523	2,393	2,262
Stock-based compensation	659	355	1,529	467	243
Non-GAAP general and administrative	1,499	1,672	2,994	1,926	2,019
GAAP total operating expenses	12,959	7,998	19,405	14,716	13,705
Stock-based compensation	1,173	645	2,353	1,376	567
Commission write-off	-	-	-	-	176
Non-GAAP total operating expenses	11,786	7,353	17,052	13,340	12,962
GAAP operating (loss) income	(667)	1,920	1,123	(369)	1,238
Stock-based compensation	1,240	687	2,471	1,409	579
Importation tax write-off	-	-	388	-	-
Inventory write-off	-	-	-	170	1,797
Commission write-off	-	-	-	-	176
Non-GAAP operating income	573	2,607	3,982	1,210	3,790
GAAP (loss) income before taxes on income	(517)	2,656	1,939	(802)	906
Stock-based compensation	1,240	687	2,471	1,409	579
Importation tax write-off	-	-	388	-	-
Inventory write-off	-	-	-	170	1,797
Commission write-off	-	-	-	-	176
Non-GAAP income before taxes on income	723	3,343	4,798	777	3,458
GAAP net (loss) income	(540)	2,650	1,915	(923)	726
Stock-based compensation	1,240	687	2,471	1,409	579
Importation tax write-off	-	-	388	-	-
Inventory write-off	-	-	-	170	1,797

Commission write-off	-	-	-	-	176
Non-GAAP net income	700	3,337	4,774	656	3,278
GAAP net (loss) income per diluted share	(0.05)	0.27	0.18	(0.11)	0.08
Stock-based compensation	0.11	0.07	0.22	0.16	0.07
Importation tax write-off	-	-	0.04	-	-
Inventory write-off	-	-	-	0.02	0.21
Commission write-off	-	-	-	-	0.02
Non-GAAP net income per diluted share	0.06	0.34	0.44	0.07	0.38
Weighted average number of shares used to compute diluted net income per share	11,992,539	9,733,037	10,779,547	9,117,767	8,592,387

These non-GAAP financial measures are provided to enhance the reader's overall understanding of our financial performance. By excluding non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718, as well as inventory, importation tax and commission write-offs when applicable, our non-GAAP results provide information to both management and investors that is useful in assessing our core operating performance and evaluating and comparing its results of operations on a consistent basis from period to period. These non-GAAP financial measures are also used by management to evaluate financial results and to plan and forecast future periods. The presentation of this additional information is not meant to be considered a substitute for the corresponding financial measures prepared in accordance with GAAP.

RISK FACTORS

Investing in our securities involves significant risks. Before making an investment decision, you should carefully consider the risks described below, on page 3 of the accompanying prospectus and under Item 3.D. — "Risk Factors" in our most recent Annual Report on Form 20-F, or in any updates in our Reports on Form 6-K, together with all of the other information appearing in this prospectus supplement or the accompanying prospectus or incorporated by reference herein or therein, including in light of your particular investment objectives and financial circumstances. The risks so described are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations and become material. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment. The discussion of risks includes or refers to forward-looking statements; you should read the explanation of the qualifications and limitations on such forward-looking statements discussed elsewhere in this prospectus supplement under the caption "Cautionary Statement Regarding Forward-Looking Statements" below.

Our expectations regarding our new NFV contract may not materialize.

In September 2017, we entered into a new NFV contract for our MaveriQ solution with a world leading top tier CSP. It is possible that our expectations regarding revenue contributions relating to this contract may be incorrect, as the contract is dependent on the successful deployment of our solution and passing acceptance milestones, as well as the actual pace of the migration of traffic to the NFV network by this operator, which may take longer than we anticipate. In addition, while we believe we may be able to expand our business with this CSP, while this CSP migrates more traffic to NFV and moves additional parts of its network elements into NFV, such expectations may not be realized.

Our growth plans may be challenged due to potentially increasing competition in the markets for our NFV products.

Our growth plans may be challenged by increased product offerings from our competitors. We believe that our competitors are developing and preparing to launch their own virtual products and such launch may occur sooner than we expect, and which may impact our position as a first mover in the NFV solutions field.

Some potential customers have expressed an interest in extending their contracts with their existing legacy technology providers on the basis that such providers are developing NFV solutions. If our competitors succeed in extending their contracts, our revenues from future contracts could be less than expected and this competition could have a material adverse effect on our business, financial condition, operating results and cash flow.

Risks Related to this Offering

Since we have broad discretion in how we use the proceeds from this offering, we may use the proceeds in ways with which you disagree.

We intend to use the net proceeds of this offering for general corporate purposes, which include financing our operations, capital expenditures and corporate development. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used in ways with which you would agree. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for the company. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

Investors will incur immediate and substantial dilution from the public offering price.

Because the price per share of our ordinary shares being offered is substantially higher than the book value per share of our ordinary shares, you will suffer immediate and substantial dilution in the net tangible book value of the ordinary shares you purchase in this offering. After giving effect to the sale of 1,444,814 ordinary shares in this offering at a public offering price of $19.50 per share and based on our net tangible book value as of June 30, 2017, if you purchase ordinary shares in this offering, you will suffer immediate and substantial dilution of $14.34 per share with respect to the net tangible book value of the ordinary shares. See “Dilution” for a more detailed discussion of the dilution you will incur in this offering.

A substantial percentage of our authorized shares may be sold in this offering and we may sell or issue our ordinary shares in the future, which could cause the price of our ordinary shares to decline.

Pursuant to this offering, we will sell 1,444,814 newly issued ordinary shares, or approximately 12.4%, of our outstanding ordinary shares as of June 30, 2017. This sale and any future issuances or sales of a substantial number of ordinary shares in the public market, or the perception that such issuances or sales may occur, could adversely affect the price of our ordinary shares. In the future we may issue additional shares in connection with the exercise of existing options, which are eligible for, or may become eligible for, unrestricted resale. Any sales or registration of such shares in the public market or otherwise could reduce the prevailing market price for our ordinary shares, as well as make future sales of equity securities by us less attractive or even not feasible, thus limiting our capital resources. The sale of shares issued upon the exercise of options and vesting of restricted share units granted pursuant to our employee stock purchase plan could also further dilute the holdings of our then existing shareholders.

We may need additional financing in the future. We may be unable to obtain additional financing or if we obtain financing it may not be on terms favorable to us. You may lose your entire investment.

Based on our current plans, we believe our existing cash and cash equivalents, along with cash generated from this offering, will be sufficient to fund our operating expense and capital requirements for at least two years from the date hereof, although there is no assurance of this and we may need funds in the future. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. If we are unable to obtain additional funds on terms favorable to us, we may be required to cease or reduce our operating activities. If we must cease or reduce our operating activities, you may lose your entire investment.

Our share price may be volatile.

The market price of our ordinary shares has fluctuated in the past. Consequently, the current market price of our ordinary shares may not be indicative of future market prices, and we may be unable to sustain or increase the value of an investment in our ordinary shares.

We do not anticipate paying any dividends.

No dividends have been paid on our ordinary shares. We do not intend to pay cash dividends on our ordinary shares in the foreseeable future, and anticipate that profits, if any, received from operations will be reinvested in our business. Any decision to pay dividends will depend upon our profitability at the time, cash available and other relevant factors including, without limitation, the conditions set forth in the Israeli Companies Law 1999.

Our actual financial results may differ materially from any guidance we may publish from time to time.

We have in the past and may, from time to time, voluntarily publish guidance regarding our future performance that represents our management's estimates as of the date of relevant release. Any such guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Further, our sales during any given year may be unevenly distributed. Our revenues from individual customers may also fluctuate from time to time based on the timing and the terms under which further orders are received and the duration of the delivery and implementation of such orders. Therefore, if our projected sales do not close before the end of the relevant year, our actual results may be inconsistent with our published guidance. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future

that the data is forecast. In light of the foregoing, investors are urged to consider any guidance we may publish in context and not to place undue reliance on it.

Your rights and responsibilities as a shareholder will be governed by Israeli law which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our Articles of Association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company or has another power with respect to the company, has a duty to act in fairness towards the company. Israeli law does not define the substance of this duty of fairness and there is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, documents we subsequently file with the SEC and the documents incorporated herein and therein by reference contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements include, but are not limited to, any preliminary financial information and financial guidance or targets we may provide, those statements regarding the expected number of shares to be issued under this offering and the amount to be raised, our process of deploying our software-based NFV solution, our expectations regarding the increasing use of NFV solutions, the profitability of and expected revenues from existing contracts, leveraging our success in discussions with other CSPs, anticipated revenues, anticipated expenses, introductions and advancements in development of products, capital requirements, our potential needs for additional financing and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters. In some cases, forward-looking statements are identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "intends," "estimates," "predicts," "potential," "opportunity" or "continue" or the negative of these terms or other comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or performance to differ materially from those projected. These statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends. The forward-looking statements contained in this prospectus supplement are subject to risks and uncertainties, including those described herein under "Risk Factors" in our most recent Annual Report on Form 20-F, under Item 3.D. – "Risk Factors", and in our other filings with the SEC. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date on which that statement is made. We cannot guarantee future results, levels of activity, performance, achievements or that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Except as otherwise required by law, we are under no obligation to (and expressly disclaim any such obligation to) update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus supplement.

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USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of 1,444,814 ordinary shares in this offering will be approximately $26.2 million, after deducting underwriting discounts and commissions and offering expenses payable by us. If the underwriters exercise the option to purchase additional shares from us in full, we estimate that the net proceeds from this offering will be approximately $30.2 million, after deducting underwriting discounts and commissions and offering expenses payable by us. We currently expect to use the net proceeds from this offering for general corporate purposes, which include financing our operations, capital expenditures and corporate development.

As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses of the proceeds from this offering. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering.

We have no current commitments or binding agreements with respect to any material acquisition of or investment in any technologies, products or companies.

PRICE RANGE OF ORDINARY SHARES

The following table sets forth, for the periods indicated, the high and low closing prices of our ordinary shares on the NASDAQ Capital Market:

Annual	High	Low
2016	$21.89	$11.29
2015	$14.93	$9.59

Quarterly 2017		
Fourth Quarter (through October 17, 2017)	$22.00	$20.25
Third Quarter	$22.05	$18.25
Second Quarter	$21.40	$17.65
First Quarter	$22.05	$17.00

Quarterly 2016		
Fourth Quarter	$21.89	$17.65
Third Quarter	$20.49	$11.69
Second Quarter	$14.35	$11.29
First Quarter	$16.63	$11.72

Quarterly 2015		
Fourth Quarter	$14.93	$9.60
Third Quarter	$11.65	$9.67
Second Quarter	$10.93	$9.59
First Quarter	$11.97	$9.62

Most recent six months		
October 2017 (through October 17, 2017)	$22.00	$20.25
September 2017	$21.55	$19.35
August 2017	$21.85	$18.25
July 2017	$22.05	$19.45
June 2017	$20.30	$18.80
May 2017	$21.40	$18.20
April 2017	$21.10	$17.65

On October 17, 2017, the last reported sale price of our ordinary shares on the NASDAQ Capital Market was $20.25 per share.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our ordinary shares and do not anticipate paying any cash dividends in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our Board of Directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors may deem relevant. The Israeli Companies Law imposes further restrictions on our ability to declare and pay dividends and payment of dividends may be subject to Israeli withholding taxes.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and total capitalization as of June 30, 2017, as follows:

on an actual basis; and

on an as adjusted basis to give effect to the issuance and sale of 1,444,814 ordinary shares by us in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The financial data in the following table should be read in conjunction with our consolidated unaudited financial information included in the report of foreign private issuer on Form 6-K furnished to the SEC on August 23, 2017, as well as other information which has been incorporated by reference in this prospectus.

	As of June 30, 2017 (U.S. Dollars, in thousands)	
	Actual	As Adjusted (1)
	(unaudited, in thousands of U.S. Dollars)	
Cash and cash equivalents	$36,164	$62,397
Shareholders' equity:		
Ordinary Shares of NIS 0.20 par value: 20,000,000 shares authorized; 11,725,421 shares issued; and 11,689,389 shares outstanding actual; 13,170,235 shares issued and 13,134,203 shares outstanding as adjusted	530	612
Additional paid-in capital	100,163	126,314
Accumulated other comprehensive loss	(2,563)	(2,563)
Accumulated deficit	(56,644)	(56,644)
Total shareholders' equity	(41,486)	(67,719)
Total capitalization	$(41,486)	$(67,719)

(1) Does not include an aggregate of 28,000 ordinary shares that have been issued since June 30, 2017 pursuant to the exercise of options and vesting of restricted share units.

DILUTION

If you invest in our ordinary shares, you will experience immediate and substantial dilution to the extent of the difference between the public offering price of our ordinary shares and the pro forma net tangible book value per share

of our ordinary shares immediately after the offering.

Our historical net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the actual number of outstanding ordinary shares. The historical net tangible book value of our ordinary shares as of June 30, 2017, was $41.5 million or $3.55 per share.

The pro forma net tangible book value of our ordinary shares as of June 30, 2017, was $67.7 million, or $5.16 per share. The pro forma net tangible book value gives effect to the issuance and sale of 1,444,814 ordinary shares in this offering at a public offering price of $19.50 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table illustrates this dilution on a per share basis to new investors:

Public offering price per share		$19.50
Net tangible book value per share before this offering, as of June 30, 2017	$3.55	
Increase in net tangible book value per share attributable to new investors in this offering	$1.61	
Pro forma net tangible book value per share after offering		$5.16
Dilution in pro forma tangible book value per share to new investors		$14.34

If the underwriters exercise their option to purchase additional shares in full, and based on a public offering price of $19.50 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, the pro forma net tangible book value per share as of June 30, 2017 after this offering would be approximately $5.37 per share, the increase in the pro forma net tangible book value per share attributable to new investors would be approximately $1.82 per share and the dilution to new investors purchasing shares in this offering would be approximately $14.13 per share.

UNDERWRITING

Under the terms and subject to the conditions set forth in an underwriting agreement, dated as of October 18, 2017, by and between us and William Blair & Company, L.L.C., acting as representative for the underwriters named below, we have agreed to sell to the underwriters, and the underwriters have agreed to purchase from us, the following respective numbers of ordinary shares:

Underwriter	Number of Shares
William Blair & Company, L.L.C.	794,648
Needham & Company, LLC	650,166
Total	1,444,814

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriting agreement provides that the underwriters will purchase all of the shares if any of them are purchased. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities. The underwriters are offering the shares subject to their acceptance of the shares from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Option to Purchase Additional Shares

We have granted the underwriters an option to purchase additional shares, exercisable no later than 30 calendar days after the date of the underwriting agreement, up to 216,722 additional shares at the public offering price, less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement and as indicated below. We will be obligated to sell these shares to the underwriters to the extent the underwriters' option to purchase additional shares is exercised.

Commission and Expenses

The underwriters have advised us that they propose to offer our ordinary shares directly to the public at the offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $0.702 per share. After the offering, the public offering price and the concession to dealers may be reduced by the underwriters. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement. The following table shows the per share and total underwriting discounts and commissions that we will pay to the underwriters and the proceeds we will receive before expenses. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Per share	Total without exercise of underwriters' option	Total with full exercise of underwriters' option
Public offering price	$ 19.50	$28,173,873	$32,399,952
Underwriting discounts and commissions	$ 1.17	$1,690,432	SIX MONTHS ENDED

	JUNE 30,			
	2013		2012	
Weighted-average risk-free interest rate	1.09	%	1.14	%
Dividend yield	—	%	—	%
Expected term	6.3 years		6.5 years	
Weighted-average volatility	48.6	%	48.5	%

During the three months ended June 30, 2013 and 2012, the Company recognized aggregate stock-based compensation expense of $3.0 million and $0.8 million, respectively, and during the six months ended June 30, 2013 and 2012 the Company recognized aggregate stock-based compensation expense of $7.4 million and $1.5 million, respectively.

5. Investment in Equity Method Investee

Through a joint venture arrangement with PGS Participacoes Ltda., the Company holds a 50% ownership interest in PGS Consultoria e Serviços Ltda. (the "Brazilian Joint Venture"), which operates Outback Steakhouse restaurants in Brazil. The Company accounts for the Brazilian Joint Venture under the equity method of accounting. At June 30, 2013 and December 31, 2012, the Company's net investment of $38.5 million and $36.0 million, respectively, was recorded in Investments in and advances to unconsolidated affiliates, net, and a foreign currency translation adjustment of ($3.0) million and ($3.6) million was recorded in Accumulated other comprehensive loss in the Company's Consolidated Balance Sheets for the six months ended June 30, 2013 and 2012, respectively. The Company's share of earnings of $2.6 million and $1.4 million for the three months ended June 30, 2013 and 2012, respectively, and $5.5 million and $3.8 million for the six months ended June 30, 2013 and 2012, respectively, was recorded in Income from operations of unconsolidated affiliates in the Company's Consolidated Statements of Operations and Comprehensive Income.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

The following table presents summarized financial information for 100% of the Brazilian Joint Venture for the periods ending as indicated (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
Net revenue from sales	$63,774	$55,562	$129,707	$114,126
Gross profit	44,176	39,008	89,499	79,832
Income from continuing operations	7,436	6,049	14,513	14,196
Net income	5,291	2,776	10,055	7,584

6. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

	JUNE 30, 2013	DECEMBER 31, 2012
Accrued payroll and other compensation	$93,236	$ 108,612
Accrued insurance	25,583	22,235
Other current liabilities	52,030	61,437
	$170,849	$ 192,284

7. Long-term Debt, Net

Long-term debt, net consisted of the following (in thousands):

	JUNE 30, 2013	DECEMBER 31, 2012
Senior secured term loan B facility, interest rates of 3.50% and 4.75% at June 30, 2013 and December 31, 2012, respectively (1) (2)	$975,000	$ 1,000,000
Mortgage loan, weighted average interest rates of 4.00% and 3.98% at June 30, 2013 and December 31, 2012, respectively (3)	315,649	319,574
First mezzanine loan, interest rate of 9.00% at June 30, 2013 and December 31, 2012 (3)	86,589	87,048
Second mezzanine loan, interest rate of 11.25% at June 30, 2013 and December 31, 2012 (3)	86,983	87,273
Other notes payable, uncollateralized, interest rates ranging from 0.58% to 7.00% and from 0.63% to 7.00% at June 30, 2013 and December 31, 2012, respectively (2)	6,878	9,848
Sale-leaseback obligations (2)	2,375	2,375
Capital lease obligations (2)	1,652	2,112
	1,475,126	1,508,230
Less: current portion of long-term debt	(13,483)	(22,991)
Less: unamortized debt discount	(11,355)	(13,790)
Long-term debt, net	$1,450,288	$ 1,471,449

(1) At December 31, 2012, $50.0 million of OSI's outstanding senior secured term loan B facility was at an interest rate of 5.75%.

(2) Represents obligations of OSI.
(3) Represents obligations of New PRP (as defined below).

Bloomin' Brands, Inc. is a holding company and conducts its operations through its subsidiaries, certain of which have incurred their own indebtedness as described below.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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On October 26, 2012, OSI entered into a credit agreement ("Credit Agreement") with a syndicate of institutional lenders and financial institutions. The senior secured credit facilities provide for senior secured financing of up to $1.225 billion, consisting of a $1.0 billion term loan B and a $225.0 million revolving credit facility, including letter of credit and swing-line loan sub-facilities (the "Credit Facilities"). The term loan B was issued with an original issue discount of $10.0 million.

On April 10, 2013, OSI completed a repricing of its senior secured term loan B facility pursuant to the First Amendment to Credit Agreement, Guaranty and Security Agreement, among OSI, OSI HoldCo, Inc., the subsidiary guarantors named therein, Deutsche Bank Trust Company Americas, as administrative agent and collateral agent, and a syndicate of institutional lenders and financial institutions (the "Amended Credit Agreement"). The Amended Credit Agreement replaces OSI's existing senior secured term loan B facility with a new senior secured term loan B facility (the "Amended Term Loan B"). The Amended Term Loan B had the same principal amount outstanding (as of the repricing date) of $975.0 million, maturity date of October 26, 2019, amortization schedule and financial covenants but a lower applicable interest rate than the existing senior secured term loan B facility. Voluntary prepayments made on the principal amount outstanding since the inception of the Credit Agreement will continue to be treated as prepayments for purposes of determining amortization payment and mandatory prepayment requirements under the Amended Term Loan B. Prepayments or amendments of the Amended Term Loan B that constitute a "repricing transaction" (as defined in the Amended Credit Agreement) will be subject to a premium of 1.00% of the Amended Term Loan B if prepaid or amended on or prior to October 10, 2013. Prepayments and repricings made after October 10, 2013 will not be subject to premium or penalty.

As a result of the repricing transaction, the Company recorded a Loss on extinguishment and modification of debt of $14.6 million in the Company's Consolidated Statement of Operations and Comprehensive Income during the second quarter of 2013. The loss was comprised of a prepayment penalty of $9.8 million, third-party financing costs of $2.4 million and the write-off of $1.2 million each of deferred financing fees and unamortized debt discount. The third-party financing costs included in the loss related to debt held by lenders that participated in both the original, and repriced debt and therefore, the debt was treated as modified rather than extinguished. The deferred financing fees and unamortized debt discount amounts included in the loss were related to the extinguished portion of the debt.

The Amended Credit Agreement decreased the interest rate applicable to the Amended Term Loan B to 150 basis points over the Base Rate or 250 basis points over the Eurocurrency Rate and reduced the interest rate floors applicable to the Amended Term Loan B to 2.00% for the Base Rate and 1.00% for the Eurocurrency Rate. The Base Rate option is the highest of (i) the prime rate of Deutsche Bank Trust Company Americas, (ii) the federal funds effective rate plus 0.5 of 1.0% or (iii) the Eurocurrency Rate with a one-month interest period plus 1.0% ("Base Rate") (3.25% at June 30, 2013 and December 31, 2012). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.19% to 0.41% and 0.21% to 0.51% at June 30, 2013 and December 31, 2012, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders.

Prior to the repricing of the senior secured term loan B facility, borrowings under this facility bore interest at rates ranging from 225 to 250 basis points over the Base Rate or 325 to 350 basis points over the Eurocurrency Rate. The Base Rate was subject to an interest rate floor of 2.25%, and the Eurocurrency Rate was subject to an interest rate floor of 1.25%.

OSI is required to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of its “annual excess cash flow” (with step-downs to 25% and 0% based upon its consolidated first lien net leverage ratio), as defined in the Credit Agreement, beginning with the fiscal year ending December 31, 2013 and subject to certain exceptions;

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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- 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and
- 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

The Amended Term Loan B requires amortization payments of approximately $10.0 million per calendar year, payable in scheduled equal quarterly installments through September 2019. These payments are reduced by the application of any prepayments, and any remaining balance is due at maturity in October 2019. The outstanding balance on the Amended Term Loan B and term loan B, excluding the unamortized debt discount, was $975.0 million and $1.0 billion at June 30, 2013 and December 31, 2012, respectively. The remaining unamortized debt discount on the Amended Term Loan B and term loan B was $7.7 million and $9.7 million at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, none of the outstanding balance on the Amended Term Loan B was classified as current due to voluntary prepayments of $25.0 million made by OSI during the first quarter of 2013 and the results of its projected covenant calculations, which indicate the additional term loan prepayments, as described above, will not be required in the next 12 months. The amount of outstanding term loans required to be prepaid in accordance with OSI's debt covenants may vary based on year-end results. At December 31, 2012, $10.0 million of the outstanding balance on the term loan B was classified as current due to OSI's required quarterly payments.

The revolving credit facility matures October 26, 2017 and provides for swing-line loans and letters of credit of up to $225.0 million for working capital and general corporate purposes. The revolving credit facility bears interest at rates ranging from 200 to 250 basis points over the Base Rate or 300 to 350 basis points over the Eurocurrency Rate. There were no loans outstanding under the revolving credit facility at June 30, 2013 or December 31, 2012, however, $37.6 million and $41.2 million, respectively, of the revolving credit facility was committed for the issuance of letters of credit and not available for borrowing. Total outstanding letters of credit issued under OSI's revolving credit facility may not exceed $100.0 million.

At June 30, 2013 and December 31, 2012, the Company was in compliance with its debt covenants. See the 2012 Form 10-K for further information about OSI's debt covenant requirements.

Effective March 27, 2012, New Private Restaurant Properties, LLC and two of the Company's other indirect wholly-owned subsidiaries (collectively, "New PRP") entered into a commercial mortgage-backed securities loan (the "2012 CMBS Loan") with German American Capital Corporation and Bank of America, N.A. The 2012 CMBS Loan totaled $500.0 million at origination and was comprised of a first mortgage loan in the amount of $324.8 million, collateralized by 261 of the Company's properties, and two mezzanine loans totaling $175.2 million. The loans have a maturity date of April 10, 2017. The first mortgage loan has five fixed-rate components and a floating rate component. The fixed-rate components bear interest at rates ranging from 2.37% to 6.81% per annum. The floating rate component bears interest at a rate per annum equal to the 30-day London Interbank Offered Rate ("LIBOR") (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.00% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum.

The proceeds from the 2012 CMBS Loan, together with the proceeds from a sale-leaseback transaction and excess cash held in Private Restaurant Properties, LLC ("PRP"), a wholly-owned subsidiary, were used to repay PRP's original first mortgage and mezzanine notes (together, the commercial mortgage-backed securities loan) ("CMBS Loan"). During the first quarter of 2012, the Company recorded a $2.9 million loss related to the extinguishment in Loss on extinguishment and modification of debt in its Consolidated Statement of Operations and Comprehensive Income.

At June 30, 2013 and December 31, 2012, the outstanding balance, excluding the unamortized debt discount, on the 2012 CMBS Loan was $489.2 million and $493.9 million, respectively.

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8. Other Long-term Liabilities, Net

The Company maintains endorsement split-dollar insurance policies with a death benefit ranging from $5.0 million to $10.0 million for one of its current and certain of its former executive officers. The Company is the beneficiary of the policies to the extent of premiums paid or the cash value, whichever is greater, with the remaining death benefit being paid to personal beneficiaries designated by the executive officers. During the first quarter of 2013, the Company terminated the split-dollar agreements with two of its former executive officers in exchange for $2.2 million in cash. The Company terminated an additional split-dollar agreement during the second quarter of 2013 with one of its former executive officers in exchange for $2.0 million in cash. Upon termination, the release of the death benefit and related liabilities and net of the associated cash termination payment resulted in net gains of $1.5 million and $3.7 million during the three and six months ended June 30, 2013, which were recorded in General and administrative in the Consolidated Statement of Operations and Comprehensive Income. As a result of the terminations, the Company became the sole and exclusive owner of the related split-dollar insurance policies and elected to cancel them.

As of June 30, 2013 and December 31, 2012, the Company had $6.7 million and $14.3 million, respectively, recorded in Other long-term liabilities, net in its Consolidated Balance Sheets for the outstanding obligations under the endorsement split-dollar insurance policies.

9. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

In connection with the 2012 CMBS Loan, the Company entered into an interest rate cap with a notional amount of $48.7 million as a method to limit the volatility of the floating rate component of the first mortgage loan. This interest rate cap had a nominal fair market value at June 30, 2013 and December 31, 2012.

Fair Value Measurements on a Nonrecurring Basis

The Company did not record material impairment charges as a result of fair value measurements on a nonrecurring basis of its long-lived assets held and used during the three and six months ended June 30, 2013. The following tables present losses related to the Company's assets and liabilities that were measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2012 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	JUNE 30, 2012				
		REMAINING FAIR VALUE			THREE MONTHS ENDED JUNE 30, 2012
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL LOSSES
Long-lived assets held and used	$2,075	$—	$—	$2,075	$3,674

	JUNE 30, 2012			
		REMAINING FAIR VALUE		

	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	SIX MONTHS ENDED JUNE 30, 2012 TOTAL LOSSES
Long-lived assets held and used	$2,933	$—	$650	$2,283	$7,558

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Company recorded $3.7 million and $7.6 million of impairment charges during the three and six months ended June 30, 2012, respectively, as a result of the fair value measurement on a nonrecurring basis of its long-lived assets held and used, primarily related to certain specifically identified restaurant locations that have, or are scheduled to be, relocated or renovated or were under-performing. At the time of the impairment recognized in the second quarter of 2012, the impaired long-lived assets had $2.1 million of remaining fair value. As of June 30, 2012, there was $2.9 million of remaining fair value associated with long-lived assets for which asset impairment losses were recognized during the six months ended June 30, 2012. Restaurant closure and related expenses of $0.7 million and $1.0 million were recognized for the three months ended June 30, 2013 and 2012, respectively, and $1.5 million was recognized for the six months ended June 30, 2013 and 2012, respectively. Impairment losses for long-lived assets held and used and restaurant closure and related expenses were recognized in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive Income.

The Company primarily used third-party market appraisals (Level 2) and discounted cash flow models (Level 3) to estimate the fair value of the long-lived assets included in the tables above. Projected future cash flows, including discount rate and growth rate assumptions, are derived from current economic conditions, expectations of management and projected trends of current operating results.

The following table presents quantitative information related to the range of unobservable inputs used in the Company's Level 3 fair value measurements for the impairment losses incurred in the six months ended June 30, 2012:

UNOBSERVABLE INPUT	SIX MONTHS ENDED JUNE 30, 2012
Weighted-average cost of capital (1)	10.4% - 11.2%
Long-term growth rates	3.0%
Annual revenue growth rates (2)	(8.7)% - 4.3%

(1) Weighted average of the cost of capital unobservable input range was 10.9% for the six months ended June 30, 2012.
(2) Weighted average of the annual revenue growth rates unobservable input range was 2.6% for the six months ended June 30, 2012.

The Company performed its annual goodwill and other indefinite-lived intangible assets impairment test during the second quarters of 2013 and 2012. The impairment test performed in the second quarter of 2013 utilized a qualitative assessment. This qualitative assessment is referred to as a "step zero" approach and allows the Company the option to assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on the review of the qualitative factors, an entity determines there is sufficient evidence to support a more likely than not (greater than 50%) probability that the fair value of a reporting unit is greater than its carrying value, the entity may skip the two-step impairment test. During 2012, the Company elected to forgo step zero and proceeded to the first step of the impairment test for goodwill and other indefinite-lived intangible assets.

In considering the step zero approach in 2013, the Company evaluated factors including, but not limited to, macro-economic conditions, market and industry conditions, commodity cost fluctuations, competitive environment, share price performance, results of prior impairment tests, operational stability and the overall financial performance of the reporting units. As a result of the Company's step zero assessment, no impairment conditions were identified

and no further testing was deemed necessary.

The Company did not have any impairment charges in the second quarter of 2013 or 2012 as a result of the annual goodwill and other indefinite-live intangible assets impairment test.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

Interim Disclosures about Fair Value of Financial Instruments

The Company's non-derivative financial instruments at June 30, 2013 and December 31, 2012 consist of cash equivalents, restricted cash, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amounts reported in the Consolidated Balance Sheets due to their short duration. The fair value of OSI's senior secured term loan B facility is determined based on quoted market prices in inactive markets. The fair value of New PRP's commercial mortgage-backed securities is based on assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management. Fair value estimates for other notes payable are derived using a discounted cash flow approach. Discounted cash flow inputs primarily include cost of debt rates which are used to derive the present value factors for the determination of fair value. These inputs represent assumptions impacted by economic conditions and management expectations and may change in the future based on period-specific facts and circumstances.

The following tables include the carrying value and fair value of the Company's financial instruments at June 30, 2013 and December 31, 2012 aggregated by the level in the fair value hierarchy in which those measurements fall (in thousands):

	JUNE 30, 2013			
		FAIR VALUE		
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Senior secured term loan B facility (1)	$975,000	$—	$970,125	$—
Mortgage loan (2)	315,649	—	—	328,248
First mezzanine loan (2)	86,589	—	—	86,589
Second mezzanine loan (2)	86,983	—	—	86,983
Other notes payable (1)	6,878	—	—	6,461

	DECEMBER 31, 2012			
		FAIR VALUE		
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Senior secured term loan B facility (1)	$1,000,000	$—	$1,010,000	$—
Mortgage loan (2)	319,574	—	—	334,678
First mezzanine loan (2)	87,048	—	—	90,371
Second mezzanine loan (2)	87,273	—	—	91,423
Other notes payable (1)	9,848	—	—	9,230

(1) Represents obligations of OSI.
(2) Represents obligations of New PRP.

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BLOOMIN' BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) - Continued

10. Income Taxes

The effective income tax rates for the three and six months ended June 30, 2013 were (117.5)% and (27.6)% compared to 16.1% and 18.4% for the same periods in 2012. These net decreases in the effective income tax rates as compared to the prior year were primarily due to the benefit of the release of valuation allowance in the second quarter of 2013 as discussed below.

The effective income tax rates for the three and six months ended June 30, 2013 were lower than the blended federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips, the release of valuation allowance, the elimination of noncontrolling interest and the foreign rate differential, together being such a large percentage of projected annual pretax income. The effective income tax rates for the three and six months ended June 30, 2012 were lower than the blended federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the elimination of noncontrolling interest together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance.

At December 31, 2012, the Company had a valuation allowance against net deferred income tax assets recorded of $72.5 million, of which $67.7 million was for U.S. net deferred income tax assets. The Company established the domestic portion of the valuation allowance in 2009 with increases through 2012 against its then existing U.S. net deferred income tax assets as it was deemed the negative evidence outweighed the positive evidence and therefore the deferred income tax assets were not likely to be realized in future periods.

As it does each reporting period, the Company conducted an assessment of the recoverability of its net deferred income tax assets as of June 30, 2013 and determined it was more likely than not that its existing net deferred income tax assets for general business tax credit carryforwards would be realized. The Company's assessment included consideration of all available positive and negative evidence including, among other evidence, historical cumulative operating income, projected future taxable income and recent utilization of U.S. net operating loss carryforwards and tax credit carryforwards. Accordingly, the Company recorded a $67.7 million reduction of the valuation allowance against the U.S. net deferred income tax assets as of June 30, 2013 of which $52.0 million was recorded as income tax benefit and $15.7 million was an increase to Additional paid-in capital. As the general business tax credits are expected to be realized due to current year and future year's income, the portion attributable to future year's income, or $44.8 million, was released as a discrete event during the second quarter of 2013. The remainder was allocated to interim periods as current year activity as income is expected to be realized and impacts the estimated 2013 annual effective income tax rate. The Company did not release the valuation allowance against foreign net operating loss carryforwards.

The Company expects to continue to generate significant U.S. income tax credits, which combined with the mix of U.S. and foreign earnings in periods subsequent to 2013 will result in an effective income tax rate that is higher than the rates in the current and prior periods but continues to be lower than the blended federal and state statutory rate.

As of June 30, 2013 and December 31, 2012, the Company had $14.1 million and $13.6 million, respectively, of unrecognized tax benefits ($0.7 million and $1.0 million, respectively, in Other long-term liabilities, net, $0.9 million each period in Accrued and other current liabilities and $12.5 million and $11.7 million, respectively, in Deferred income tax liabilities). Additionally, the Company accrued $2.4 million of interest and penalties related to uncertain tax positions as of June 30, 2013 and December 31, 2012, respectively. Of the total amount of unrecognized tax

benefits, including accrued interest and penalties, $14.3 million and $13.8 million, respectively, if recognized, would impact the Company's effective income tax rate. The difference between the total amount of unrecognized tax benefits and the amount that would impact the effective income tax rate consists of items that are offset by deferred income tax assets and the federal income tax benefit of state income tax items.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In many cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by relevant taxable authorities. Based on the outcome of these examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related recorded unrecognized tax benefits for tax positions taken on previously filed tax returns will change by approximately $0.5 million to $0.6 million within the next twelve months after June 30, 2013.

The Company is currently open to audit under the statute of limitations by the IRS for the years ended December 31, 2007 through 2012. The Company and its subsidiaries' state and foreign income tax returns are also open to audit under the statute of limitations for the years ended December 31, 2000 through 2012. The Company is currently under examination by the Internal Revenue Service for the years ended December 31, 2009 through 2011. At this time, the Company does not believe that the outcome of any examination will have a material impact on the Company's results of operations or financial position.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes. Unless the context otherwise indicates, as used in this report, the term the "Company," "we," "us," "our" and other similar terms mean Bloomin' Brands, Inc. and its subsidiaries.

Cautionary Statement

This Quarterly Report on Form 10-Q includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "feels," "seeks," "forecasts," "projects," "intends," "plans," "may," "will," "should," "could" or "would" or, in each case, their other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, capital expenditures and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. We believe that these risks and uncertainties include, but are not limited to, the following:

(i) The restaurant industry is a highly competitive industry with many well-established competitors;

(ii) Challenging economic conditions may affect our liquidity by adversely impacting numerous items that include, but are not limited to: consumer confidence and discretionary spending; the availability of credit presently arranged from our revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers;

(iii) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; our ability to obtain appropriate real estate sites at acceptable prices; our ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; the impact of government moratoriums or approval processes, which could result in significant delays; our ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; our ability to generate or borrow funds; our ability to negotiate suitable lease terms; our ability to recruit and train skilled management and restaurant employees; and our ability to receive the premises from the landlord's

developer without any delays;

(iv) Our results can be impacted by changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of our prices); local, regional, national and international economic and political conditions; the seasonality of our business; demographic trends; traffic patterns and

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

our ability to effectively respond in a timely manner to changes in traffic patterns; changes in consumer dietary habits; employee availability; the cost of advertising and media; government actions and policies; inflation or deflation; unemployment rates; interest rates; exchange rates; and increases in various costs, including construction, real estate and health insurance costs;

(v) Weather, natural disasters and other disasters could result in construction delays and also adversely affect the results of one or more restaurants for an indeterminate amount of time;

(vi) Our results can be negatively impacted by the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, or other military action affecting countries in which we do business and by the effects of heightened security requirements on local, regional, national, or international economies or consumer confidence;

(vii) Our results can be impacted by tax and other legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements;

(viii) Our results can be impacted by unanticipated changes in our tax rates, exposure to additional income tax liabilities, or a change in our ability to realize deferred tax benefits;

(ix) Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;

(x) Commodities, including but not limited to, such items as beef, chicken, shrimp, pork, seafood, dairy, produce, potatoes, onions and energy supplies, are subject to fluctuation in price and availability and price could increase or decrease more than we expect;

(xi) Our results can be affected by consumer reaction to public health issues;

(xii) Our results can be affected by consumer perception of food safety;

(xiii) We could face liabilities if we are unable to protect customer credit and debit card data or personal employee information; and

(xiv) Our substantial leverage and significant restrictive covenants in our various credit facilities could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new or renovate restaurants, limit our ability to react to changes in the economy or our industry and expose us to interest rate risk in connection with our variable-rate debt.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Overview

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of June 30, 2013, we owned and operated 1,276 restaurants and had 207 restaurants operating under a franchise or joint venture arrangement across 48 states, Puerto Rico, Guam and 20 countries. We have five founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Our concepts seek to provide a compelling customer experience combining great food, highly attentive service and lively and contemporary ambience at attractive prices. Our restaurants attract customers across a variety of occasions, including everyday dining, celebrations and business entertainment. Each of our concepts maintains a unique, founder-inspired brand identity and entrepreneurial culture, while leveraging our scale and enhanced operating model. We consider Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse and Wine Bar to be our core concepts.
The restaurant industry is a highly competitive and fragmented industry and is sensitive to changes in the economy, trends in lifestyles, seasonality (customer spending patterns at our restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year) and fluctuating costs. Operating margins for restaurants can vary due to competitive pricing strategies, labor costs and fluctuations in prices of commodities, including beef, chicken, seafood, butter, cheese, produce and other necessities to operate a restaurant, such as natural gas or other energy supplies. Restaurant companies tend to focus on increasing market share, comparable restaurant sales growth and new unit growth. Competitive pressure for market share, commodity inflation, foreign currency exchange rates and other market conditions have had and could continue to have an adverse impact on our business.
Our industry is characterized by high initial capital investment, coupled with high labor costs. Chain restaurants have been increasingly taking share from independent restaurants over the past several years. We believe that this trend will continue due to increasing barriers that may prevent independent restaurants and/or start-up chains from building scale operations, including menu labeling, burdensome labor regulations and healthcare reforms that will be enforced once chains grow past a certain number of restaurants or number of employees. The combination of these factors underscores our initiative to drive increased sales at existing restaurants in order to raise margins and profits, because the incremental contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is relatively high. Historically, we have not focused on growth in the number of restaurants just to generate additional sales. Our expansion and operating strategies have balanced investment and operating cost considerations in order to generate reasonable, sustainable margins and achieve acceptable returns on investment from our restaurant concepts.
Our strategic plan and operating model entails maintaining an experienced executive management team and adapting practices from the consumer products and retail industries to complement our restaurant acumen and enhance our brand management, analytics and innovation. This model keeps the customer at the center of our decision-making and focuses on continuous innovation and productivity to drive sustainable sales and profit growth. In addition, we remain recommitted to new unit development after curtailing expansion from 2009 to 2011. We believe that a substantial development opportunity remains for our concepts in the U.S. and internationally.

We continue to balance near-term growth in market share with investments to achieve sustainable growth. In 2013, our key growth strategies, which are enabled by continued improvements in infrastructure and organizational effectiveness include:

- Grow Comparable Restaurant Sales. We plan to continue our efforts to remodel our Outback Steakhouse and Carrabba's Italian Grill restaurants, use limited-time offers and multimedia marketing campaigns to drive traffic, selectively expand the lunch daypart and introduce innovative menu items that match evolving consumer preferences.

In addition, in April 2013, we accelerated our restaurant relocation plan primarily related to the Outback Steakhouse brand.

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- Pursue New Domestic and International Development With Strong Unit Level Economics. We believe that a substantial development opportunity remains for our concepts in the U.S. and internationally. Our top domestic development priority is Bonefish Grill unit growth. Internationally, we are focusing on developing Outback Steakhouse in the existing markets of South Korea, Hong Kong and Brazil, with strategic expansion in selected emerging and high growth developed markets. We are focusing our new market growth in China, Mexico and South America. We expect to open between 45 and 55 system-wide locations in 2013 and increase the pace thereafter.

- Drive Margin Improvement. We believe we have the opportunity to increase our margins through leveraging increases in average unit volumes and cost reductions in labor, food, supply chain and restaurant facilities.

We believe that the combination of macro-economic and other factors have put considerable pressure on sales in the casual dining industry thus far in 2013 and, as a result, the first half of 2013 has reflected a slowdown in our comparable restaurant sales growth. For example, the ongoing impacts of the housing crisis, high unemployment, the so-called "sequester" and related governmental spending and budget matters, gasoline prices, reduced disposable consumer income and consumer confidence have had a negative effect on discretionary consumer spending. As these conditions persist, we will face increased pressure with respect to our pricing, traffic levels and commodity costs. We believe that in this environment, we will need to maintain our focus on value and innovation to continue to drive sales.

Key Performance Indicators

Key measures that we use in evaluating our restaurants and assessing our business include the following:

- Average restaurant unit volumes—average sales per restaurant to measure changes in customer traffic, pricing and development of the brand;

- Comparable restaurant sales—year-over-year comparison of sales volumes for domestic, Company-owned restaurants that are open 18 months or more in order to remove the impact of new restaurant openings in comparing the operations of existing restaurants;

- System-wide sales—total restaurant sales volume for all Company-owned, franchise and unconsolidated joint venture restaurants, regardless of ownership, to interpret the overall health of our brands;

- Adjusted income from operations, Adjusted net income attributable to Bloomin' Brands, Inc., Adjusted diluted earnings per share and Adjusted diluted earnings per pro forma share—non-GAAP financial measures utilized to evaluate our operating performance (see "—Non-GAAP Financial Measures" section below for further information); and

- Customer satisfaction scores—measurement of our customers' experiences in a variety of key attributes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Selected Operating Data

The table below presents the number of our restaurants in operation at the end of the periods indicated:

	JUNE 30,	
	2013	2012
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company-owned—domestic (1)	663	670
Company-owned—international (1)	117	112
Franchised—domestic	106	106
Franchised and joint venture—international	93	83
Total	979	971
Carrabba's Italian Grill		
Company-owned	234	230
Franchised	1	1
Total	235	231
Bonefish Grill		
Company-owned	175	155
Franchised	7	7
Total	182	162
Fleming's Prime Steakhouse and Wine Bar		
Company-owned	65	64
Roy's		
Company-owned	22	22
System-wide total	1,483	1,450

(1) One Company-owned restaurant in Puerto Rico that was previously included in Outback Steakhouse (international) is now included in Outback Steakhouse (domestic). The prior period has been revised to conform to the current period presentation.

We operate restaurants under brands that have similar economic characteristics, nature of products and services, class of customer and distribution methods, and as a result, aggregate our operating segments into a single reporting segment.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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Results of Operations

The following table sets forth, for the periods indicated, percentages that items in our Consolidated Statements of Operations and Comprehensive Income bear to Total revenues or Restaurant sales, as indicated:

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	2013		2012		2013		2012	
Revenues								
Restaurant sales	98.9	%	98.9	%	99.0	%	99.0	%
Other revenues	1.1		1.1		1.0		1.0	
Total revenues	100.0		100.0		100.0		100.0	
Costs and expenses								
Cost of sales (1)	32.3		32.5		32.3		32.3	
Labor and other related (1)	28.2		28.0		27.9		28.0	
Other restaurant operating (1)	23.6		23.8		22.5		22.3	
Depreciation and amortization	4.0		4.0		3.8		3.8	
General and administrative	6.4		7.4		6.5		7.3	
Provision for impaired assets and restaurant closings	0.1		0.5		0.1		0.4	
Income from operations of unconsolidated affiliates	(0.3	)	(0.2	)	(0.3	)	(0.2	)
Total costs and expenses	93.3		95.0		92.2		93.2	
Income from operations	6.7		5.0		7.8		6.8	
Loss on extinguishment and modification of debt	(1.4	)	—		(0.7	)	(0.1	)
Other expense, net	(*)		(*)		(*)		(*)	
Interest expense, net	(1.8	)	(2.5	)	(1.8	)	(2.2	)
Income before (benefit) provision for income taxes	3.5		2.5		5.3		4.5	
(Benefit) provision for income taxes	(4.0	)	0.4		(1.4	)	0.8	
Net income	7.5		2.1		6.7		3.7	
Less: net income attributable to noncontrolling interests	0.2		0.3		0.2		0.4	
Net income attributable to Bloomin' Brands, Inc.	7.3	%	1.8	%	6.5	%	3.3	%
Net income	7.5	%	2.1	%	6.7	%	3.7	%
Other comprehensive income:								
Foreign currency translation adjustment	(0.8	)	(0.7	)	(0.6	)	(0.2	)
Comprehensive income	6.7		1.4		6.1		3.5	
Less: comprehensive income attributable to noncontrolling interests	0.2		0.3		0.2		0.4	
Comprehensive income attributable to Bloomin' Brands, Inc.	6.5	%	1.1	%	5.9	%	3.1	%

(1) As a percentage of Restaurant sales.

*Less than 1/10th of one percent of Total revenues.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

REVENUES

Restaurant sales

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
(dollars in millions):	2013	2012	$ Change	% Change	2013	2012	$ Change	% Change
Restaurant sales	$1,008.0	$970.0	$38.0	3.9 %	$2,090.3	$2,015.5	$74.8	3.7 %

The increase in restaurant sales in the three months ended June 30, 2013 as compared to the same period in 2012 was primarily attributable to (i) additional revenues of approximately $23.7 million from the opening of 45 new restaurants not included in our comparable restaurant sales base and (ii) a $18.5 million increase in comparable restaurant sales at our existing restaurants (including a 2.0% combined comparable restaurant sales increase in the second quarter of 2013 at our core domestic concepts), primarily due to increases in general menu prices and customer traffic, which were partially offset by mix in our product sales. The increase in customer traffic was primarily driven by selective daypart expansion across certain concepts, innovations in menu, service, promotions and operations across the portfolio and renovations at additional Outback Steakhouse locations. The increase in restaurant sales in the three months ended June 30, 2013 as compared to the same period in 2012 was partially offset by a $4.2 million decrease from the closing of nine restaurants since June 30, 2012.

The increase in restaurant sales in the six months ended June 30, 2013 as compared to the same period in 2012 was primarily attributable to (i) additional revenues of approximately $58.9 million from the opening of 46 new restaurants not included in our comparable restaurant sales base and (ii) a $23.9 million increase in comparable restaurant sales at our existing restaurants (including a 1.8% combined comparable restaurant sales increase in the first half of 2013 at our core domestic concepts), primarily due to increases in general menu prices and customer traffic, which were partially offset by mix in our product sales. The increase in customer traffic was primarily driven by selective daypart expansion across certain concepts, innovations in menu, service, promotions and operations across the portfolio and renovations at additional Outback Steakhouse locations partially offset by unfavorable winter weather conditions and the additional day in February 2012 due to Leap Year. The increase in restaurant sales in the six months ended June 30, 2013 as compared to the same period in 2012 was partially offset by a $8.0 million decrease from the closing of nine restaurants since June 30, 2012.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

The following table includes additional information about changes in Restaurant sales at domestic Company-owned restaurants for our core brands:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
Average restaurant unit volumes (weekly):				
Outback Steakhouse (1)	$62,552	$60,571	$64,739	$62,495
Carrabba's Italian Grill	$58,116	$57,979	$60,114	$60,245
Bonefish Grill	$61,815	$62,417	$63,678	$63,634
Fleming's Prime Steakhouse and Wine Bar	$75,531	$73,136	$80,223	$76,824
Operating weeks:				
Outback Steakhouse (1)	8,619	8,710	17,161	17,420
Carrabba's Italian Grill	3,042	2,990	6,051	5,981
Bonefish Grill	2,268	1,985	4,460	3,943
Fleming's Prime Steakhouse and Wine Bar	845	832	1,681	1,664
Year over year percentage change:				
Menu price increases: (2)				
Outback Steakhouse	2.7%	2.1%	2.4%	2.1%
Carrabba's Italian Grill	2.2%	2.0%	1.8%	2.2%
Bonefish Grill	1.9%	2.2%	1.9%	2.5%
Fleming's Prime Steakhouse and Wine Bar	3.3%	2.2%	2.7%	2.3%
Comparable restaurant sales (stores open 18 months or more):				
Outback Steakhouse (1)	2.8%	2.3%	2.6%	3.8%
Carrabba's Italian Grill	0.3%	1.5%	(0.7)%	2.9%
Bonefish Grill	0.2%	2.1%	0.4%	4.2%
Fleming's Prime Steakhouse and Wine Bar	3.8%	6.8%	4.5%	6.1%
Combined (concepts above)	2.0%	2.4%	1.8%	3.8%

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(1) One Company-owned restaurant in Puerto Rico that was previously included in Outback Steakhouse (international) is now included in Outback Steakhouse (domestic). This change affects the calculation of average restaurant unit volumes, operating weeks and comparable restaurant sales. The prior period has been revised to conform to the current period presentation.

(2) The stated menu price changes exclude the impact of product mix shifts to new menu offerings.

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BLOOMIN' BRANDS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

COSTS AND EXPENSES

Cost of sales

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in millions):	2013	2012	Change	2013	2012	Change
Cost of sales	$325.5	$315.5		$675.4	$651.3	
% of Restaurant sales	32.3 %	32.5 %	(0.2)%	32.3 %	32.3 %	— %

Cost of sales, consisting of food and beverage costs, decreased as a percentage of Restaurant sales in the three months ended June 30, 2013 as compared to the same period in 2012. The decrease as a percentage of Restaurant sales was primarily attributable to the following: (i) 0.6% from the impact of certain cost savings initiatives, (ii) 0.6% from menu price increases and (iii) 0.3% from decreases in seafood. The decrease was partially offset by increases as a percentage of Restaurant sales of 1.2% from increases in beef and other commodity costs and 0.1% from changes in our liquor, beer and wine mix.

Cost of sales as a percentage of Restaurant sales was consistent in the six months ended June 30, 2013 as compared to the same period in 2012. Increases as a percentage of Restaurant sales were primarily due to 0.9% from higher beef and other commodity costs and 0.2% from changes in our liquor, beer and wine mix. These increases were offset by decreases as a percentage of Restaurant sales attributable to the following: (i) 0.5% from the impact of certain cost savings initiatives, (ii) 0.5% from menu price increases and (iii) 0.3% from decreases in seafood.

Labor and other related expenses

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in millions):	2013	2012	Change	2013	2012	Change
Labor and other related	$284.0	$271.4		$583.9	$564.9	
% of Restaurant sales	28.2 %	28.0 %	0.2 %	27.9 %	28.0 %	(0.1)%

Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to managing partners, costs related to the Partner Equity Plan ("PEP") and Partner Ownership Account ("POA") deferred compensation plans (see "—Liquidity and Capital Resources—Deferred Compensation Plans"), and other incentive compensation expenses. Labor and other related expenses increased as a percentage of Restaurant sales in the three months ended June 30, 2013 as compared to the same period in 2012. The increase as a percentage of Restaurant sales was primarily attributable to 0.6% from higher kitchen and service labor costs and 0.3% from higher field management labor and bonus expenses. The increases were partially offset by decreases as a percentage of Restaurant sales of 0.4% from the impact of certain cost savings initiatives and 0.3% from higher average unit volumes at the majority of our restaurants.

The decrease as a percentage of Restaurant sales in the six months ended June 30, 2013 as compared to the same period in 2012 was primarily attributable to the following: (i) 0.3% from changes in deferred compensation participant accounts, (ii) 0.3% from the impact of certain cost savings initiatives and (iii) 0.3% from higher average unit volumes at the majority of our restaurants. The decreases were partially offset by increases as a percentage of Restaurant sales

of 0.6% from higher kitchen and service labor costs and 0.2% from higher field management labor and bonus expenses.

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Other restaurant operating expenses

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in millions):	2013	2012	Change	2013	2012	Change
Other restaurant operating	$237.4	$230.9		$471.2	$449.8	
% of Restaurant sales	23.6 %	23.8 %	(0.2)%	22.5 %	22.3 %	0.2 %

Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses is fixed or indirectly variable. The decrease as a percentage of Restaurant sales in the three months ended June 30, 2013 as compared to the same period in 2012 was primarily attributable to 0.5% from higher average unit volumes at the majority of our restaurants and 0.3% from certain cost savings initiatives. The decreases were offset by increases as a percentage of Restaurant sales primarily due to 0.3% of higher restaurant operating supplies expense and 0.2% in higher restaurant utilities and repair and maintenance costs.

The increase as a percentage of Restaurant sales in the six months ended June 30, 2013 as compared to the same period in 2012 was primarily due to the following: (i) 0.4% in higher restaurant repair and maintenance and other operating costs, (ii) 0.2% in higher advertising expense and (iii) 0.2% of higher restaurant occupancy costs as a result of a sale-leaseback transaction. The increases were offset by decreases as a percentage of Restaurant sales primarily attributable to 0.4% from higher average unit volumes at the majority of our restaurants and 0.2% from certain cost savings initiatives.

General and administrative

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in millions):	2013	2012	Change	2013	2012	Change
General and administrative	$65.1	$72.2	$(7.1)	$137.6	$148.2	$(10.6)

General and administrative costs decreased in the three months ended June 30, 2013 as compared to the same period in 2012 primarily due to the following: (i) $3.9 million of lower expenses due to the timing of our annual managing partner conference, (ii) $2.3 million of lower management fees due to the termination of the management agreement in connection with our initial public offering, (iii) $1.6 million of net decrease in losses associated with the cash surrender value of life insurance investments and (iv) $1.5 million of net gain on the termination of a split-dollar life insurance policy. These decreases were partially offset by $2.3 million of higher stock-based compensation.

General and administrative costs decreased in the six months ended June 30, 2013 as compared to the same period in 2012 primarily due to the following: (i) $6.7 million of lower legal and other professional fees resulting from amendment and restatement of a lease between OSI and PRP in the first quarter of 2012, (ii) $4.6 million of lower management fees due to the termination of the management agreement in connection with our initial public offering, (iii) $3.7 million of net gains on the termination of split-dollar life insurance policies and (iv) $2.9 million of decreased general and administrative costs associated with field support, managers-in-training and field compensation and bonus expense. These decreases were partially offset by $6.0 million of higher stock-based compensation.

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Provision for impaired assets and restaurant closings

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in millions):	2013	2012	Change	2013	2012	Change
Provision for impaired assets and restaurant closings	$0.7	$4.7	$(4.0)	$2.6	$9.1	$(6.5)

Restaurant impairment charges primarily resulted from the carrying value of a restaurant's assets exceeding its estimated fair market value, mainly due to declining future cash flows from lower projected sales at existing locations and locations identified for relocation or renovation (see "—Liquidity and Capital Resources—Fair Value Measurements" for additional information).

Income from operations

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(dollars in millions):	2013	2012	Change	2013	2012	Change
Income from operations	$67.9	$48.7	$19.2	$164.7	$139.1	$25.6

During the three and six months ended June 30, 2013, income from operations increased as compared to the same period in 2012 primarily as a result of increases of $8.8 million and $10.3 million, respectively, in operating margins at the restaurant level and higher average unit volumes at the majority of our restaurants combined with lower General and administrative expenses and charges for asset impairment and restaurant closings as discussed above. Operating margins are calculated as Restaurant sales after deduction of the main restaurant-level operating costs (comprised of Cost of sales, Labor and other related and Other restaurant operating).

Loss on extinguishment and modification of debt

During the second quarter of 2013, we recorded a $14.6 million loss in connection with a repricing amendment to OSI's senior secured term loan B facility, which included a prepayment penalty of approximately $9.8 million, $2.4 million of third-party financing costs related to the modified portion of the term loan B and a write-off of $1.2 million each for deferred financing fees and unamortized debt discount, which were associated with the portion of the debt treated as extinguished.

During the first quarter of 2012, we recorded a $2.9 million loss related to the extinguishment of the CMBS Loan in connection with New PRP entering into the 2012 CMBS Loan.

See "—Liquidity and Capital Resources—Credit Facilities and Other Indebtedness" for a further description of each transaction.

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Interest expense, net

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
(in millions):	2013	2012	Change	2013	2012	Change
Interest expense, net	$18.0	$24.0	$(6.0)	$38.9	$45.0	$(6.1)

The decrease in net interest expense in the three months ended June 30, 2013 as compared to the same period in 2012 was primarily due to a $6.5 million decline in interest expense for OSI's senior notes that were satisfied and discharged in August 2012. This decrease was partially offset by $1.2 million of net higher interest expense resulting from increased interest rates on OSI's Credit Facilities, which were refinanced in October 2012 and subsequently repriced in April 2013.

The decrease in net interest expense in the six months ended June 30, 2013 as compared to the same period in 2012 was primarily due to a $12.9 million decline in interest expense for OSI's senior notes that were satisfied and discharged in August 2012. This decrease was partially offset by $5.0 million of net higher interest expense resulting from increased interest rates on OSI's Credit Facilities, which were refinanced in October 2012 and subsequently repriced in April 2013. The decrease was also partially offset by $1.8 million of higher interest expense resulting from increased interest rates on New PRP's 2012 CMBS Loan which was refinanced in March 2012.

(Benefit) provision for income taxes

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2013	2012	Change	2013	2012	Change
Effective income tax rate	(117.5)%	16.1%	(133.6)%	(27.6)%	18.4%	(46.0)%

The net decreases in the effective income tax rates in the three and six months ended June 30, 2013 as compared to the same periods in the prior year were primarily due to the benefit of the release of valuation allowance in the second quarter of 2013. See "—Liquidity and Capital Resources—Income Taxes" for a further description of the release of the valuation allowance.

The effective income tax rates for the three and six months ended June 30, 2013 were lower than the blended federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips, the release of valuation allowance, the elimination of noncontrolling interest and the foreign rate differential, together being such a large percentage of projected annual pretax income. The effective income tax rates for the three and six months ended June 30, 2012 were lower than the blended federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the elimination of noncontrolling interest together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance.

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Non-GAAP Financial Measures

In addition to the results provided in accordance with U.S. GAAP, we provide non-GAAP measures which present operating results on an adjusted or pro forma basis. These are supplemental measures of performance that are not required by or presented in accordance with U.S. GAAP and include system-wide sales, Adjusted income from operations, Adjusted net income attributable to Bloomin' Brands, Inc., Adjusted diluted earnings per share and Adjusted diluted earnings per pro forma share. These non-GAAP measures are not measurements of our operating or financial performance under U.S. GAAP and should not be considered as an alternative to performance measures derived in accordance with U.S. GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

System-Wide Sales

System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. System-wide sales is comprised of sales of Company-owned restaurants and sales of franchised and unconsolidated joint venture restaurants. The table below presents the first component of system-wide sales, which is sales of Company-owned restaurants:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
COMPANY-OWNED RESTAURANT SALES (in millions):				
Outback Steakhouse				
Domestic (1)	$538	$527	$1,110	$1,088
International (1)	69	64	157	146
Total	607	591	1,267	1,234
Carrabba's Italian Grill	177	173	364	360
Bonefish Grill	141	124	284	251
Fleming's Prime Steakhouse and Wine Bar	64	61	135	128
Other	19	21	40	42
Total Company-owned restaurant sales	$1,008	$970	$2,090	$2,015

(1) Company-owned restaurant sales for one location in Puerto Rico that were previously included in Outback Steakhouse (international) are now included in Outback Steakhouse (domestic). The prior period has been revised to conform to the current period presentation.

The following information presents the second component of system-wide sales, which is sales of franchised and unconsolidated joint venture restaurants. These are restaurants that are not consolidated and from which we only receive a franchise royalty or a portion of their total income. Management believes that franchise and unconsolidated joint venture sales information is useful in analyzing our revenues because franchisees and affiliates pay royalties and/or service fees that generally are based on a percentage of sales. Management also uses this information to make decisions about future plans for the development of additional restaurants and new concepts as well as evaluation of current operations.

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The following do not represent our sales and are presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant concepts.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
FRANCHISE AND UNCONSOLIDATED JOINT VENTURE SALES (in millions) (1):				
Outback Steakhouse				
Domestic	$80	$78	$163	$160
International	94	86	188	173
Total	174	164	351	333
Carrabba's Italian Grill	1	1	2	2
Bonefish Grill	4	4	9	9
Total franchise and unconsolidated joint venture sales (1)	$179	$169	$362	$344
Income from franchise and unconsolidated joint ventures (2)	$12	$10	$23	$21

(1) Franchise and unconsolidated joint venture sales are not included in revenues in the Consolidated Statements of Operations and Comprehensive Income.

(2) Represents the franchise royalty and the portion of total income related to restaurant operations included in the Consolidated Statements of Operations and Comprehensive Income in Other revenues and Income from operations of unconsolidated affiliates, respectively.

Other Financial Measures

Adjusted income from operations, Adjusted net income attributable to Bloomin' Brands, Inc., Adjusted diluted earnings per share and Adjusted diluted earnings per pro forma share are non-GAAP measures calculated by eliminating from income from operations, net income and diluted earnings per share the impact of items we do not consider indicative of our ongoing operations including application of a normalized annual effective tax rate. We provide these non-GAAP measures because we believe they are useful for investors to assess the operating performance of our business without the effect of these adjustments. For the periods presented, the non-GAAP adjustments include transaction-related expenses primarily attributable to the completion of a secondary offering of our common stock and the refinancing of our long-term debt, management fees paid to the management company associated with our Sponsors and Founders, losses incurred on the extinguishment and modification of long-term debt and an adjustment to the (Benefit) provision for income taxes based on a normalized tax rate for periods in 2013 and the effective tax rate for periods in 2012. In addition, Adjusted diluted earnings per pro forma share gives effect to the issuance of shares in our initial public offering as if they were all outstanding on January 1, 2012.

The use of these measures permits a comparative assessment of our operating performance relative to our performance based on U.S. GAAP results, while isolating the effects of certain items that vary from period to period without correlation to core operating performance or that vary widely among similar companies. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items or that the items for which we have made adjustments are unusual or infrequent. In the future, we

may incur expenses or generate income similar to the adjusted items. We further believe that the disclosure of these non-GAAP measures is useful to investors as they form the basis for how our management team and Board of Directors evaluate our performance including for achievement of objectives under our cash and equity compensation plans. By disclosing these non-GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, the means by which our management team operates our business.

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The following table reconciles Adjusted income from operations, Adjusted net income attributable to Bloomin' Brands, Inc., Adjusted diluted earnings per share and Adjusted diluted earnings per pro forma share, for the three and six months ended June 30, 2013 and 2012 to their respective most comparable U.S. GAAP measures (in thousands, except per share amounts):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2013	2012	2013	2012
Income from operations	$67,886	$48,720	$164,746	$139,128
Transaction-related expenses (1)	704	—	704	6,761
Management fees and expenses (2)	—	2,291	—	4,617
Adjusted income from operations	$68,590	$51,011	$165,450	$150,506
Net income attributable to Bloomin' Brands, Inc.	$74,868	$17,440	$138,091	$67,439
Transaction-related expenses (1)	704	—	704	6,761
Management fees and expenses (2)	—	2,291	—	4,617
Loss on extinguishment and modification of debt (3)	14,586	—	14,586	2,851
Total adjustments, before income taxes	15,290	2,291	15,290	14,229
Adjustment to (benefit) provision for income taxes (4)	(58,370)	(426)	(58,370)	(2,647)
Net adjustments	(43,080)	1,865	(43,080)	11,582
Adjusted net income attributable to Bloomin' Brands, Inc.	$31,788	$19,305	$95,011	$79,021
Diluted earnings per share	$0.58	$0.16	$1.08	$0.63
Adjusted diluted earnings per share	$0.25	$0.18	$0.74	$0.74
Adjusted diluted earnings per pro forma share	$0.25	$0.16	$0.74	$0.65
Diluted weighted average common shares outstanding	128,338	107,380	127,599	107,255
Pro forma IPO adjustment (5)	—	14,197	—	14,197
Pro forma diluted weighted average common shares outstanding (5)	128,338	121,577	127,599	121,452

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(1) Transaction-related expenses primarily relate to costs incurred in association with the secondary offering of our common stock completed in May 2013 and the refinancing of the 2012 CMBS Loan in March 2012.

(2) Represents management fees, out-of-pocket expenses and certain other reimbursable expenses paid to a management company owned by our Sponsors and Founders under a management agreement with us. In accordance with the terms of an amendment, this agreement terminated immediately prior to the completion of our initial public offering in August 2012.

(3) Loss on extinguishment and modification of debt is related to the repricing of OSI's term loan B facility in April 2013 and the extinguishment of the CMBS Loan in connection with New PRP entering into the 2012 CMBS Loan in March 2012.

(4) Adjustment to (benefit) provision for income taxes for the three and six months ended June 30, 2013 represents an adjustment to the (Benefit) provision for income taxes to apply a normalized annual effective income tax rate, which excludes the income tax benefit of the valuation allowance release, to Adjusted income before (benefit) provision for income taxes. The normalized 2013 full-year tax rate is more comparable to our expectation for

future effective income tax rates. Our expected future effective income tax rate is lower than the U.S. blended federal and state statutory rate because of the continued generation of U.S. tax credits and expected earnings in foreign jurisdictions with lower income tax rates. See calculation below of the income tax effect of adjustments for the three and six months ended June 30, 2013. Adjustment to (benefit) provision for income taxes for the three and six months ended June 30, 2012 was calculated using the projected full-year effective income tax rate of 18.6%.

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	THREE MONTHS ENDED JUNE 30, 2013	SIX MONTHS ENDED JUNE 30, 2013
Income before (benefit) provision for income taxes	$35,152	$110,915
Transaction-related expenses	704	704
Loss on extinguishment and modification of debt	14,586	14,586
Adjusted income before (benefit) provision for income taxes	50,442	126,205
Income tax expense at normalized tax rate of approximately 33.8% and 22.0% for the three and six months ended June 30, 2013, respectively (a)	17,058	27,765
Less: (Benefit) provision for income taxes	(41,312)	(30,605)
Adjustment to (benefit) provision for income taxes	$58,370	$58,370

(a) Due to the second quarter 2013 income tax valuation allowance release, we utilized a normalized annual effective tax rate of 22.0% for the six months ended June 30, 2013. As a result, the Adjustment to (benefit) provision for income taxes for the three months ended June 30, 2013 includes approximately $6.0 million of higher income tax effect for the true-up of a normalized tax rate treatment on the first quarter of 2013 which, as previously reported, did not include any adjustments. Excluding the effect of this true-up in the second quarter of 2013, the Adjusted net income attributable to Bloomin' Brands, Inc. would have been $37.7 million and Adjusted diluted earnings per pro forma share would have been $0.29 per share for the three months ended June 30, 2013. If the normalized tax rate had been applied during the first quarter of 2013, Adjusted net income attributable to Bloomin' Brands, Inc. would have been $57.3 million and Adjusted diluted earnings per pro forma share would have been $0.45 per share for the three months ended March 31, 2013 (reported amounts were $63.2 million and $0.50 per share, respectively).

(5) Gives pro forma effect to the issuance of shares in the initial public offering as if they were all outstanding on January 1, 2012. There is no effect of this adjustment for the three and six months ended June 30, 2013.

Liquidity and Capital Resources

We believe that expected cash flow from operations, available borrowing capacity and restricted cash balances are adequate to finance our growth strategies and to fund debt service requirements, operating lease obligations, capital expenditures, working capital obligations and other significant commitments for the next twelve months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow and our ability to manage costs and working capital successfully.

As of June 30, 2013, we had approximately $187.4 million in available unused borrowing capacity under OSI's senior secured revolving credit facility (after giving effect to undrawn letters of credit of approximately $37.6 million) (see "—Credit Facilities and Other Indebtedness").

TRANSACTIONS

In connection with the settlement of litigation with T-Bird Nevada, LLC and its affiliates (collectively, "T-Bird"), which include the franchisees of 56 Outback Steakhouse restaurants in California, T-Bird has a right (referred to as the "Put Right"), which would require us to purchase for cash all of the ownership interests in the T-Bird entities that own Outback Steakhouse restaurants and certain rights under the development agreement with T-Bird. The Put Right is

non-transferable, other than under limited circumstances set forth in the settlement agreement. The Put Right is exercisable by T-Bird until August 13, 2013. If the Put Right is exercised, we will pay a purchase price equal to a multiple of the T-Bird entities’ adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) for the trailing 12 months, net of liabilities of the T-Bird entities. The multiple is equal to 75% of the multiple of our adjusted EBITDA reflected in our stock price. We have a one-time right to reject the exercise of the Put Right if the transaction would be dilutive to our consolidated earnings per share. In such event, the Put Right is extended until the first anniversary of our notice to the T-Bird entities of such rejection. If exercised, the closing of the Put Right will be the last business day of the third full calendar month immediately following the month in which notification of the

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exercise of the Put Right (the "Put Notice") is given. If the weighted average closing price of our common stock during the month immediately prior to the month the closing date is to occur is more than 20% less than the closing price on the date the Put Notice is delivered, the T-Bird entities will have a one-time right to delay the closing for two months. If the closing date is delayed, the T-Bird entities multiple will be calculated based on the weighted average closing price of our common stock during the calendar month immediately prior to the month of the newly scheduled closing date. The closing of the Put Right is subject to certain conditions, including the negotiation of a transaction agreement reasonably acceptable to the parties, the absence of dissenters' rights being exercised by the equity owners above a specified level, non-revocation by the T-Bird entities of the exercise of the Put Right and compliance with our debt agreements.

On April 10, 2013, OSI completed a repricing of its senior secured term loan B facility pursuant to the Amended Credit Agreement. The Amended Credit Agreement replaces OSI's existing senior secured term loan B facility with the Amended Term Loan B. The Amended Term Loan B has the same principal amount outstanding (as of the repricing date) of $975.0 million, maturity date of October 26, 2019, amortization schedule and financial covenants but a lower applicable interest rate than the existing senior secured term loan B facility. The Amended Credit Agreement decreased the interest rate applicable to the Amended Term Loan B to 150 basis points over the Base Rate or 250 basis points over the Eurocurrency Rate as defined in the Credit Agreement and reduced the interest rate floors applicable to the Amended Term Loan B to 2.00% for the Base Rate and 1.00% for the Eurocurrency Rate. As a result of the repricing transaction, we recorded a Loss on extinguishment and modification of debt of $14.6 million in our Consolidated Statement of Operations and Comprehensive Income during the second quarter of 2013 (see "—Credit Facilities and Other Indebtedness").

SUMMARY OF CASH FLOWS

We require capital primarily for principal and interest payments on our debt, prepayment requirements under our term loan B facility (see "—Credit Facilities and Other Indebtedness"), obligations related to our deferred compensation plans, the development of new restaurants, remodeling or relocating older restaurants, investments in technology and acquisitions of the interests of our franchisees and joint venture partners.

The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the periods indicated (in thousands):

	SIX MONTHS ENDED JUNE 30,	
	2013	2012
Net cash provided by operating activities	$94,720	$57,704
Net cash (used in) provided by investing activities	(93,104)	95,004
Net cash used in financing activities	(35,700)	(354,987)
Effect of exchange rate changes on cash and cash equivalents	(5,165)	149
Net decrease in cash and cash equivalents	$(39,249)	$(202,130)

Operating activities

Net cash provided by operating activities increased during the six months ended June 30, 2013 as compared to the same period in 2012 primarily as a result of the following: (i) utilization of inventory on hand, (ii) timing of accounts

payable and certain accrual payments and (iii) a decrease in cash paid for income taxes. The increase in net cash provided by operating activities was partially offset by a decrease in cash due to timing of collections of holiday gift card sales from third-party vendors and $4.2 million of cash paid to terminate certain split-dollar life insurance agreements.

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Investing activities

Net cash used in investing activities during the six months ended June 30, 2013 consisted primarily of capital expenditures of $97.2 million partially offset by proceeds from the disposal of property, fixtures and equipment of $2.7 million. Net cash provided by investing activities during the six months ended June 30, 2012 consisted primarily of proceeds from a sale-leaseback transaction of $192.9 million partially offset by capital expenditures of $79.7 million and the $19.4 million net difference between restricted cash received and restricted cash used.

We estimate that our capital expenditures will total between approximately $220.0 million and $250.0 million in 2013. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things. We expect to continue to review the level of capital expenditures throughout the remainder of 2013.

Financing activities

Net cash used in financing activities during the six months ended June 30, 2013 was primarily attributable to the following: (i) repayments of long-term debt of $33.9 million, (ii) repayments of partner deposits and accrued partner obligations of $12.5 million, (iii) payments of financing fees of $12.5 million for the Amended Term Loan B repricing transaction completed in April 2013 and (iv) distributions to noncontrolling interests of $4.5 million. This was partially offset by the receipt of proceeds from the exercise of stock options of $22.2 million and repayments of notes receivable due from stockholders of $5.8 million. Net cash used in financing activities during the six months ended June 30, 2012 was primarily attributable to the following: (i) extinguishment of PRP's CMBS Loan of $777.6 million, (ii) repayments of long-term debt and borrowings on revolving credit facilities of $45.2 million, (iii) repayments of partner deposits and accrued partner obligations of $15.3 million and (iv) distributions to noncontrolling interests of $8.0 million. This was partially offset by the proceeds received from the 2012 CMBS Loan of $495.2 million.

FINANCIAL CONDITION

Current assets decreased to $439.9 million at June 30, 2013 as compared with $487.8 million at December 31, 2012. This decrease was primarily due to a $39.2 million decrease in Cash and cash equivalents (see "—Summary of Cash Flows") and a $13.2 million decrease in Inventories primarily due to the utilization of inventory on hand and timing of deliveries at the end of the period. This decrease was partially offset by a $9.5 million increase in deferred income tax assets primarily associated with the release of the valuation allowance in the second quarter of 2013. Current liabilities decreased to $550.1 million at June 30, 2013 as compared with $691.4 million at December 31, 2012 primarily due to the following: (i) a $109.1 million decrease in Unearned revenue as a result of the seasonal pattern of gift card and promotional sales and redemptions, (ii) a $21.4 million decrease in Accrued and other current liabilities primarily from a decrease in accrued payroll and other compensation for 2012 related compensation paid in March 2013 and timing of payments, and (iii) a $9.5 million decrease in the Current portion of long-term debt mainly due to the voluntary prepayments on the Amended Term Loan B made in the first quarter of 2013 extending future principal payments in excess of 12 months.

Working capital (deficit) totaled ($110.2) million and ($203.6) million at June 30, 2013 and December 31, 2012, respectively, and included Unearned revenue from unredeemed gift cards of $220.4 million and $329.5 million at June 30, 2013 and December 31, 2012, respectively. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative

working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and for capital expenditures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

CREDIT FACILITIES AND OTHER INDEBTEDNESS

We are a holding company and conduct our operations through our subsidiaries, certain of which have incurred their own indebtedness as described below.

On October 26, 2012, OSI entered the Credit Agreement with a syndicate of institutional lenders and financial institutions. The Credit Facilities provide for senior secured financing of up to $1.225 billion, consisting of a $1.0 billion term loan B and a $225.0 million revolving credit facility, including letter of credit and swing-line loan sub-facilities. The term loan B was issued with an original issue discount of $10.0 million.

On April 10, 2013, OSI completed a repricing of its senior secured term loan B facility pursuant to the First Amendment to Credit Agreement, Guaranty and Security Agreement, among OSI, OSI HoldCo, Inc., the subsidiary guarantors named therein, Deutsche Bank Trust Company Americas, as administrative agent and collateral agent, and a syndicate of institutional lenders and financial institutions. The Amended Credit Agreement replaces OSI's existing senior secured term loan B facility with the Amended Term Loan B. The Amended Term Loan B had the same principal amount outstanding (as of the repricing date) of $975.0 million, maturity date of October 26, 2019, amortization schedule and financial covenants but a lower applicable interest rate than the existing senior secured term loan B facility. Voluntary prepayments made on the principal amount outstanding since the inception of the Credit Agreement will continue to be treated as prepayments for purposes of determining amortization payment and mandatory prepayment requirements under the Amended Term Loan B. Prepayments or amendments of the Amended Term Loan B that constitute a "repricing transaction" (as defined in the Amended Credit Agreement) will be subject to a premium of 1.00% of the Amended Term Loan B if prepaid or amended on or prior to October 10, 2013. Prepayments and repricings made after October 10, 2013 will not be subject to premium or penalty.

As a result of the repricing transaction, we recorded a Loss on extinguishment and modification of debt of $14.6 million in our Consolidated Statement of Operations and Comprehensive Income during the second quarter of 2013. The loss was comprised of a prepayment penalty of $9.8 million, third-party financing costs of $2.4 million and the write-off of $1.2 million each of deferred financing fees and unamortized debt discount. The third-party financing costs included in the loss related to debt held by lenders that participated in both the original, and repriced debt and therefore, the debt was treated as modified rather than extinguished. The deferred financing fees and unamortized debt discount amounts included in the loss were related to the extinguished portion of the debt.

The Amended Credit Agreement decreased the interest rate applicable to the Amended Term Loan B to 150 basis points over the Base Rate or 250 basis points over the Eurocurrency Rate and reduced the interest rate floors applicable to the Amended Term Loan B to 2.00% for the Base Rate and 1.00% for the Eurocurrency Rate. The Base Rate option is the highest of (i) the prime rate of Deutsche Bank Trust Company Americas, (ii) the federal funds effective rate plus 0.5 of 1.0% or (iii) the Eurocurrency Rate with a one-month interest period plus 1.0% ("Base Rate") (3.25% at June 30, 2013 and December 31, 2012). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.19% to 0.41% and 0.21% to 0.51% at June 30, 2013 and December 31, 2012, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders.

Prior to the repricing of the senior secured term loan B facility, borrowings under this facility bore interest at rates ranging from 225 to 250 basis points over the Base Rate or 325 to 350 basis points over the Eurocurrency Rate. The Base Rate was subject to an interest rate floor of 2.25%, and the Eurocurrency Rate was subject to an interest rate

floor of 1.25%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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OSI is required to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of its "annual excess cash flow" (with step-downs to 25% and 0% based upon its consolidated first lien net leverage ratio), as defined in the Credit Agreement, beginning with the fiscal year ending December 31, 2013 and subject to certain exceptions;
- 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and
- 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

The Amended Term Loan B requires amortization payments of approximately $10.0 million per calendar year, payable in scheduled equal quarterly installments through September 2019. These payments are reduced by the application of any prepayments, and any remaining balance is due at maturity in October 2019. The outstanding balance on the Amended Term Loan B and term loan B, excluding the unamortized debt discount, was $975.0 million and $1.0 billion at June 30, 2013 and December 31, 2012, respectively. The remaining unamortized debt discount on the Amended Term Loan B and term loan B was $7.7 million and $9.7 million at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, none of the outstanding balance on the Amended Term Loan B was classified as current due to voluntary prepayments of $25.0 million made by OSI during the first quarter of 2013 and the results of its projected covenant calculations, which indicate the additional term loan prepayments, as described above, will not be required in the next 12 months. The amount of outstanding term loans required to be prepaid in accordance with OSI's debt covenants may vary based on year-end results. At December 31, 2012, $10.0 million of the outstanding balance on the term loan B was classified as current due to OSI's required quarterly payments.

The revolving credit facility matures October 26, 2017 and provides for swing-line loans and letters of credit of up to $225.0 million for working capital and general corporate purposes. The revolving credit facility bears interest at rates ranging from 200 to 250 basis points over the Base Rate or 300 to 350 basis points over the Eurocurrency Rate. There were no loans outstanding under the revolving credit facility at June 30, 2013 or December 31, 2012, however, $37.6 million and $41.2 million, respectively, of the revolving credit facility was committed for the issuance of letters of credit and not available for borrowing. Total outstanding letters of credit issued under OSI's revolving credit facility may not exceed $100.0 million.

At June 30, 2013 and December 31, 2012, OSI was in compliance with its debt covenants. See the 2012 Form 10-K for further information about OSI's debt covenant requirements.

Effective March 27, 2012, New PRP entered into the 2012 CMBS Loan with German American Capital Corporation and Bank of America, N.A. The 2012 CMBS Loan totaled $500.0 million at origination and was comprised of a first mortgage loan in the amount of $324.8 million, collateralized by 261 of our properties, and two mezzanine loans totaling $175.2 million. The loans have a maturity date of April 10, 2017. The first mortgage loan has five fixed-rate components and a floating rate component. The fixed-rate components bear interest at rates ranging from 2.37% to 6.81% per annum. The floating rate component bears interest at a rate per annum equal to the 30-day LIBOR (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.00% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum.

The proceeds from the 2012 CMBS Loan, together with the proceeds from a sale-leaseback transaction and excess cash held in PRP, were used to repay PRP's existing CMBS Loan. During the first quarter of 2012, we recorded a $2.9 million loss related to the extinguishment in Loss on extinguishment of debt in our Consolidated Statement of

Operations and Comprehensive Income.

At June 30, 2013 and December 31, 2012, the outstanding balance, excluding the unamortized debt discount, on the 2012 CMBS Loan was $489.2 million and $493.9 million, respectively.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

We performed our annual goodwill and other indefinite-lived intangible assets impairment test during the second quarters of 2013 and 2012. The impairment test performed in the second quarter of 2013 utilized a qualitative assessment. This qualitative assessment is referred to as a "step zero" approach and allows us the option to assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on the review of the qualitative factors, an entity determines there is sufficient evidence to support a more likely than not (greater than 50%) probability that the fair value of a reporting unit is greater than its carrying value, the entity may skip the two-step impairment test.

In considering the step zero approach in 2013, we evaluated factors including, but not limited to, macro-economic conditions, market and industry conditions, commodity cost fluctuations, competitive environment, share price performance, results of prior impairment tests, operational stability and the overall financial performance of the reporting units. As a result of our step zero assessment, no impairment conditions were identified and no further testing was deemed necessary.

During 2012, we elected to forgo step zero and proceeded to the first step of the impairment test for goodwill and other indefinite-lived intangible assets. Our review of the recoverability of goodwill was based primarily upon an analysis of the discounted cash flows of the related reporting units as compared to the carrying values. We also used the relief from royalty method to determine the fair value of our indefinite-lived intangible assets.

We did not record any goodwill or indefinite-lived intangible asset impairment charges as a result of these assessments and determined that none of our reporting units are at risk for material goodwill impairment.

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price) and is a market-based measurement, not an entity-specific measurement. To measure fair value, we incorporate assumptions that market participants would use in pricing the asset or liability, and utilize market data to the maximum extent possible. Measurement of fair value incorporates nonperformance risk (i.e., the risk that an obligation will not be fulfilled). In measuring fair value, we reflect the impact of our own credit risk on our liabilities, as well as any collateral. We also consider the credit standing of our counterparties in measuring the fair value of our assets.

In connection with the 2012 CMBS Loan, we entered into an interest rate cap with a notional amount of $48.7 million as a method to limit the volatility of the floating rate component of the first mortgage loan. This interest rate cap had a nominal fair market value at June 30, 2013 and December 31, 2012.

We did not record any material impairment charges as a result of fair value measurements on a nonrecurring basis of our long-lived assets held and used during the three and six months ended June 30, 2013. We recorded $3.7 million and $7.6 million of impairment charges during the three and six months ended June 30, 2012, respectively, as a result of fair value measurements on a nonrecurring basis of our long-lived assets held and used, primarily related to certain specifically identified restaurant locations that have, or are scheduled to be, relocated or renovated or were under-performing. At the time of the impairment recognized in the second quarter of 2012, the impaired long-lived

assets had $2.1 million of remaining fair value. As of June 30, 2012, there was $2.9 million remaining fair value associated with long-lived assets for which asset impairment losses were recognized during the six months ended June 30, 2012. Restaurant closure and related expenses of $0.7 million and $1.0 million were recognized for the three months ended June 30, 2013 and 2012, respectively, and $1.5 million was recognized for the six months ended June 30, 2013 and 2012, respectively. Impairment losses for long-lived assets held and used and restaurant closure and related expenses

were recognized in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive Income.

We primarily used third-party market appraisals (Level 2) and discounted cash flow models (Level 3) to estimate the fair value of the long-lived assets. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results.

The following table presents quantitative information related to the range of unobservable inputs used in our Level 3 fair value measurements for the impairment losses incurred in the six months ended June 30, 2012:

UNOBSERVABLE INPUT	SIX MONTHS ENDED JUNE 30, 2012
Weighted-average cost of capital (1)	10.4% - 11.2%
Long-term growth rates	3.0%
Annual revenue growth rates (2)	(8.7)% - 4.3%

(1) Weighted average of the cost of capital unobservable input range was 10.9% for the six months ended June 30, 2012.

(2) Weighted average of the annual revenue growth rates unobservable input range was 2.6% for the six months ended June 30, 2012.

Sales declines at our restaurants, unplanned increases in health insurance, commodity or labor costs, deterioration in overall economic conditions and challenges in the restaurant industry may result in future impairment charges. It is possible that changes in circumstances or changes in our judgments, assumptions and estimates, could result in a future impairment charge of a portion or all of our goodwill, other intangible assets or long-lived assets held and used.

DEFERRED COMPENSATION PLANS

Managing and Chef Partners

Historically, the managing partner of each Company-owned domestic restaurant and the chef partner of each Fleming's Prime Steakhouse and Wine Bar and Roy's restaurant were required, as a condition of employment, to sign a five-year employment agreement and to purchase a non-transferable ownership interest in a partnership ("Management Partnership") that provided management and supervisory services to his or her restaurant. The purchase price for a managing partner's ownership interest was fixed at $25,000, and the purchase price for a chef partner's ownership interest ranged from $10,000 to $15,000. Managing and chef partners had the right to receive monthly distributions from the Management Partnership based on a percentage of their restaurant's monthly cash flows for the duration of the agreement, which varied by concept from 6% to 10% for managing partners and 2% to 5% for chef partners. Further, managing and chef partners were eligible to participate in the PEP, a deferred compensation program, upon completion of their five-year employment agreement. Amounts credited to partners' PEP accounts are fully vested at all times and participants have no discretion with respect to the form of benefit payments under the PEP.

In April 2011, we modified our managing and chef partner compensation structure to provide greater incentives for sales and profit growth. Under the revised program, managing and chef partners continue to sign five-year

employment agreements and receive monthly distributions of the same percentage of their restaurant's cash flow as under the prior program. However, under the revised program, in lieu of participation in the PEP, managing partners and chef partners are eligible to receive deferred compensation payments under the POA. The POA places greater emphasis on year-over-year growth in cash flow than the PEP. Managing and chef partners receive a greater value under the POA than they would have received under the PEP if certain levels of year-over-year cash flow growth are achieved and a lesser value than under the PEP if these levels are not achieved. As of June 30, 2013 and December 31, 2012, our POA liability was $18.6 million and $15.3 million, respectively, which primarily was recorded in Partner deposits and accrued partner obligations in our Consolidated Balance Sheets.

In June 2007, certain stock options that had been granted to managing and chef partners under a previously existing managing partner stock plan upon completion of a previous employment contract were converted into the right to receive cash in the form of a "Supplemental PEP" contribution.

As of June 30, 2013, our total vested liability with respect to obligations primarily under the PEP and Supplemental PEP was approximately $127.4 million, of which $17.5 million and $109.9 million was included in Accrued and other current liabilities and Other long-term liabilities, net, respectively, in our Consolidated Balance Sheet. As of December 31, 2012, our total vested liability with respect to obligations primarily under the PEP and Supplemental PEP was approximately $122.6 million, of which $17.8 million and $104.8 million was included in Accrued and other current liabilities and Other long-term liabilities, net, respectively, in our Consolidated Balance Sheet. Partners allocate the contributions into benchmark investment funds, and these amounts due to participants will fluctuate according to the performance of their allocated investments and may differ materially from the initial contribution and current obligation.

As of June 30, 2013 and December 31, 2012, we had approximately $69.4 million and $67.8 million, respectively, in various corporate owned life insurance policies held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations primarily under the PEP, Supplemental PEP and POA. We are the sole owner of any assets within the rabbi trust and participants are considered our general creditors with respect to assets within the rabbi trust.

As of June 30, 2013 and December 31, 2012, there were $73.5 million and $65.1 million, respectively, of unfunded obligations primarily related to the PEP, Supplemental PEP and POA, excluding amounts not yet contributed to the partners' investment funds, which may require the use of cash resources in the future.

We require the use of capital to fund the PEP and the POA as each managing and chef partner earns a contribution, and currently estimate funding requirements ranging from $17.0 million to $19.0 million for PEP and from $5.0 million to $7.0 million for POA in each of the next two years through June 30, 2015. Actual funding of the current PEP and POA obligations and future funding requirements may vary significantly depending on timing of partner contracts, forfeiture rates and numbers of partner participants and may differ materially from estimates.

Area Operating Partners

Historically, an area operating partner was required, as a condition of employment and within 30 days of the opening of his or her first restaurant, to make an initial investment of $50,000 in the Management Partnership that provides supervisory services to the restaurants that the area operating partner oversees. This interest gave the area operating partner the right to distributions from the Management Partnership based on a percentage of his or her restaurants' monthly cash flows for the duration of the agreement, typically ranging from 4.0% to 9.0%. We have the option to purchase an area operating partner's interest in the Management Partnership after the restaurant has been open for a five-year period on the terms specified in the agreement.

For restaurants opened on or between January 1, 2007 and December 31, 2011, the area operating partner's percentage of cash distributions and buyout percentage is calculated based on the associated restaurant's return on investment compared to our targeted return on investment and ranges from 3.0% to 12.0% depending on the concept. This percentage is determined after the first five full calendar quarters from the date of the associated restaurant's opening and is adjusted each quarter thereafter based on a trailing 12-month restaurant return on investment. The buyout

percentage is the area operating partner's average distribution percentage for the 24 months immediately preceding the buyout. Buyouts are paid in cash within 90 days or paid over a two-year period.

In April 2012, we revised our area operating partner program for restaurants opened on or after January 1, 2012. For these restaurants, an area operating partner is required, as a condition of employment, to make a deposit of $10,000 within thirty days of the opening of each new restaurant that he or she oversees, up to a maximum deposit of $50,000

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(taking into account investments under prior programs). This deposit gives the area operating partner the right to monthly payments based on a percentage of his or her restaurants' monthly cash flows for the time period that the area operating partner oversees the restaurant, typically ranging from 4.0% to 4.5%. After the restaurant has been open for a five-year period, the area operating partner will receive a bonus equal to a multiple of the area operating partner's average monthly payments for the 24 months immediately preceding the bonus date. The bonus will be paid within 90 days or over a two-year period, depending on the bonus amount.

INCOME TAXES

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date of the rate change. We recorded a valuation allowance to reduce our deferred income tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and ongoing feasible tax planning strategies in assessing the need for the valuation allowance. Our conclusion that it is more likely than not that such deferred income tax assets will be realized is strongly influenced by our forecast of future taxable income.

At December 31, 2012, we had a valuation allowance against net deferred income tax assets recorded of $72.5 million, of which $67.7 million was for U.S. net deferred income tax assets. We established the domestic portion of the valuation allowance in 2009 with increases through 2012 against our then existing U.S. net deferred income tax assets because we determined that the deferred income tax assets were not likely to be realized in future periods based on the negative evidence that outweighed the positive evidence.

As we do each reporting period, we conducted an assessment of the recoverability of its net deferred income tax assets as of June 30, 2013 and determined it was more likely than not that our existing net deferred income tax assets for general business tax credit carryforwards would be realized. Our assessment included consideration of all available positive and negative evidence including, among other evidence, historical cumulative operating income, projected future taxable income and recent utilization of U.S. net operating loss carryforwards and tax credit carryforwards. Accordingly, we recorded a $67.7 million reduction of the valuation allowance against the U.S. net deferred income tax assets as of June 30, 2013 of which $52.0 million was recorded as an income tax benefit and $15.7 million was recorded as an increase to Additional paid-in capital. As the general business tax credits are expected to be realized due to current year and future year's income, the portion attributable to future year's income, or $44.8 million, was released as a discrete event during the second quarter of 2013. The remainder was allocated to interim periods as current year activity as income is expected to be realized and impacts the estimated 2013 annual effective income tax rate. We did not release the valuation allowance against foreign net operating loss carryforwards.

Although the release of the valuation allowance will have a positive effect on our results of operations in 2013, the release will most likely have the effect of reducing our earnings in periods subsequent to 2013 as a result of an increase in the provision for income taxes in such future periods. This negative effect on earnings in subsequent periods occurs because the release of the valuation allowance reflects the recognition of previously generated, but not recognized, income tax benefits in 2013. Absent the release of the valuation allowance, any such income tax benefits would be recognized in the future periods in which their realization were to occur upon the generation of taxable income. We expect to continue to generate significant U.S. income tax credits, which combined with the mix of U.S.

and foreign earnings in periods subsequent to 2013 will result in an effective income tax rate that is higher than those in the current and prior periods but continues to be lower than the blended federal and state statutory rate. In addition, until such time as our tax credit carryforwards are exhausted or expire, income tax expense is expected to substantially exceed the amount of cash income taxes payable by us.

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As of June 30, 2013 and December 31, 2012, we had $222.4 million and $261.7 million, respectively, in cash and cash equivalents (excluding restricted cash of $19.3 million and $20.1 million, respectively), of which approximately $83.2 million and $92.9 million, respectively, was held by foreign affiliates, a portion of which would be subject to additional taxes if repatriated to the United States. Based on cash and working capital projections within domestic tax jurisdictions, we believe we will generate sufficient cash flows from our United States operations to meet our future debt repayment requirements, anticipated working capital needs and planned capital expenditures, as well as all of our other business needs in the United States.

A provision for income taxes has not been recorded for any United States or additional foreign taxes on undistributed earnings related to our foreign affiliates as these earnings were and are expected to continue to be permanently reinvested. If we identify an exception to our general reinvestment policy of undistributed earnings, additional taxes will be recorded. It is not practical to determine the amount of unrecognized deferred income tax liabilities on the undistributed earnings. The international jurisdictions in which we operate do not have any known restrictions that would prohibit the repatriation of cash and cash equivalents.

We are currently under examination by the IRS for the years ended December 31, 2009 through 2011. At this time, we do not believe that the outcome of any examination will have a material impact on our results of operations or financial position.

DIVIDENDS

We did not declare or pay any dividends on our common stock during 2012 or in the six months ended June 30, 2013. Our Board of Directors does not intend to pay regular dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis and may, subject to compliance with the covenants contained in the Credit Facilities and other considerations, determine to pay dividends in the future.

Our ability to pay dividends is dependent on our ability to obtain funds from our subsidiaries. Payment of dividends by OSI to Bloomin' Brands is restricted under the Credit Facilities to dividends for the purpose of paying Bloomin' Brands' franchise and income taxes and ordinary course operating expenses; dividends for certain other limited purposes; and other dividends subject to an aggregate cap over the term of the agreement.

Recently Issued Financial Accounting Standards

In March 2013, the FASB issued ASU No. 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force)" ("ASU No. 2013-05"). Under ASU No. 2013-05, an entity would recognize cumulative translation adjustments in earnings when it ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets resided. However, when an entity sells either a part or all of its investment in a consolidated foreign entity, an entity would recognize cumulative translation adjustments in earnings only if the parent no longer has a controlling financial interest in the foreign entity as a result of the sale. In the case of sales of an equity method investment that is a foreign entity, a pro rata portion of cumulative translation adjustments attributable to the equity method investment would be recognized in earnings upon sale of the equity method investment. In addition, cumulative translation adjustments would be recognized in earnings upon a business combination achieved in stages such as a step acquisition. ASU No. 2013-05 is effective for public companies for fiscal years beginning on or after December 15, 2013 and interim periods within those fiscal years, with early adoption permitted. We will adopt ASU No. 2013-05 effective January 1, 2014 with prospective application to the derecognition of any foreign entity subsidiaries, groups of assets or investments in foreign entities completed on or after January 1, 2014. The impact of ASU No. 2013-05 on our financial position, results of operations and cash flows is dependent on future transactions

resulting in derecognition of our foreign assets, subsidiaries or investments in foreign entities completed on or after adoption.

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In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)" ("ASU No. 2013-11"). Under ASU No. 2013-11, an entity is required to present its unrecognized tax benefits net of its deferred tax assets when settlement in this manner is available under the tax law, which would be based on facts and circumstances as of the balance sheet reporting date and would not consider future events. Gross presentation in the notes to the financial statements will still be required. ASU No. 2013-11 is effective for public companies for fiscal years beginning on or after December 15, 2013 and interim periods within those fiscal years, with early adoption permitted. ASU No. 2013-11 will apply on a prospective basis to all unrecognized tax benefits that exist at the effective date, with the option to apply it retrospectively. This guidance will not have an impact on our financial position, results of operations or cash flows as we currently present unrecognized tax benefits net of deferred tax assets where applicable.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices. We have not experienced a material change in market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices since December 31, 2012. See Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk" in our 2012 Form 10-K for further information about market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2013.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II: OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2012 Form 10-K which could materially affect our business, financial condition or future results. There have not been any significant changes with respect to the risks described in our 2012 Form 10-K, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of equity securities during the second quarter of 2013 that were not registered under the Securities Act of 1933.

The following table provides information regarding our purchases of common stock during the three months ended June 30, 2013:

MONTH	TOTAL NUMBER OF SHARES PURCHASED (1)	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
April 1, 2013 through April 30, 2013	17,796	$20.78	*	*
May 1, 2013 through May 31, 2013	—	n/a	*	*
June 1, 2013 through June 30, 2013	—	n/a	*	*
Total	17,796		*	*

* These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during the three months ended June 30, 2013 represented shares which were withheld for tax payments due upon the vesting of employee restricted stock awards.

Item 6. Exhibits

Exhibit Number	Description of Exhibits
10.01	First Amendment to Credit Agreement, Guaranty and Security Agreement dated as of April 10, 2013 among OSI Restaurant Partners, LLC, OSI HoldCo, Inc., the Subsidiary Guarantors, the Lenders and Deutsche Bank Trust Company Americas, as administrative agent for the Lenders (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, File No. 001-35625, and incorporated herein by reference)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

[1] These certifications are not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. These certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates them by reference.

The registrant hereby undertakes to furnish supplementally a copy of any omitted schedule or other attachment to the Securities and Exchange Commission upon request.

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BLOOMIN' BRANDS, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 1, 2013	BLOOMIN' BRANDS, INC. (Registrant)
	By: /s/ David J. Deno David J. Deno Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

[Remainder of page intentionally left blank]