

Recommendation: Buy – December 2024 PT of \$31.85 (Annualized Return of 19.76%)

Bloomin' Brands (NASDAQ: BLMN)

Overview

Bloomin' Brands has seen its stock go nowhere for half a decade, but operational gains could change this. Tech investments may expand margins, higher check sizes and a sticky off-premise business can grow AUVs, and shifts to more efficient restaurant models and international expansion may enable unit growth. At a current price of \$21.02, a probability-weighted price target indicates the stock may be worth \$31.85 at the end of 2024. With the potential for annualized returns of 19.76% and EPS growth of over 40% from 2021 levels BLMN may be a potential outperformer in the coming years.

Investment Thesis

- **Tech Investments Give Upside to Margins**

Clamshell grills, kitchen display systems, and handheld devices for servers are being installed in most restaurants by H2 2023. Resulting productivity gains may grow restaurant margins by over 100bps.

- **Growth in AUVs**

Check sizes are growing faster than the company's pricing due to a revamped rewards program and a strategic shift away from discounting. Combined with a sticky off-premise business (28% for Outback and 33% for Carrabba's) and rotating 100 legacy Outback locations to better real estate there is an opportunity to grow AUVs by over 10% going forward.

- **Turn to Unit Growth**

Small square footage concepts and fast-casual restaurant models may allow for about 95 net unit additions in the United States. Outback Brazil's growth and a ghost-kitchen franchisee in South Korea will also drive unit growth, ending the shrinkage of the company's footprint.

Investment Risks

- **Prototype Restaurant Models Fail to Scale**

If the low costs and high AUVs of new restaurant models can't scale as units grow the company may fail to expand its American unit count.

- **Dilution & Cost to Repurchase Convertibles**

The company has a in-the-money convertibles outstanding and may see significant dilution or a large cash loss to prevent such an event.

- **Weakness From Outback & Bonefish**

Outback & Bonefish have lagged the rest of the company and peers in the past year. Continued weakness may harm company results.

Company Overview

Industry: Restaurants

Description: Bloomin' Brands, Inc. engages in the acquisition, operation, design and development of restaurant concepts. Its brands include Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, and Fleming's Prime Steakhouse & Wine Bar. The company was founded in March 1988 and is headquartered in Tampa, FL.

Financials/Margins

Sales:	\$4.32B
Market Cap:	\$2.09B
Enterprise Value:	\$2.70B
Gross Margin:	12.41%
EBITDA Margin:	12.51%
Current Price:	\$21.02
52-wk Range:	\$15.89-\$27.17

Multiples/Ratios

P/E:	32.84x
EV/EBITDA:	4.99x
ROIC:	8.30%
ROE:	37.35%

My Quarterly EPS Forecasts

	2021A	2022E	2023E	2024E
Q1	0.63	0.73A	0.91	0.98
Q2	0.75	(0.72A)	0.70	0.78
Q3	0.03	0.28	0.34	0.42
Q4	0.59	0.49	0.59	0.67
FY	2.00	0.77	2.54	2.86