Outback Steakhouse's Operator Bet

Idea In Short

Outback Steakhouse looks like a franchise brand: a signature appetizer, national ads, a slogan people still remember and more than 1,000 locations worldwide. It is not one. Bloomin' Brands, Outback's parent, owns and operates roughly 82% of the chain's U.S. restaurants and collects almost no royalty income. That single fact explains fiscal 2025, when flat revenue and rising beef and labor costs cut operating income by 73% and forced a full dividend suspension. This piece walks through how the Outback Steakhouse business model actually works: an operator, not a franchisor, running a value-priced menu with no fee stream to hide behind when input costs rise. It compares Outback with its own premium sibling, Fleming's and with franchised peers like McDonald's, to show why ownership structure, not marketing, decides who survives a cost shock.

The Ownership Number That Explains Everything

Start with who owns the restaurants, because everything else about Outback follows from it. Bloomin' Brands' fiscal 2025 annual report puts the U.S. footprint plainly: of 666 Outback locations open as of December 28, 2025, the company owned and operated 548, about 82%.[1] Across its full four-brand portfolio, which also includes Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse, the company-operated mix runs even higher. Compare that with McDonald's Corporation, where roughly 95% of restaurants are franchised and the parent collects rent and royalties rather than paying for beef, wages or leases directly. When commodity costs spike at a heavily franchised chain, thousands of independent operators absorb the first hit. At Outback, Bloomin' Brands absorbs it alone, every time.

Where the Revenue Actually Comes From

Bloomin' Brands generated $3.956 billion in total revenue in fiscal 2025 and the bulk of it comes from one place: food, alcohol and non-alcoholic drinks sold at company-run restaurants. U.S. and international franchise royalties, which range from roughly 2.75% to 5.75% of gross sales depending on the market, contribute a comparatively small amount. A third, smaller stream comes from Brazil, where Bloomin' Brands sold 67% of its previously company-owned operations on December 30, 2024 and retained a 33% equity stake plus franchise fees from 188 restaurants.2 That transaction moved 174 formerly consolidated Brazilian restaurants onto a franchise footing overnight. It was a deliberate step toward lighter-asset economics in the one market where the brand was actually growing, which raises the obvious question of why the same logic has not been applied at home.

A Value Proposition Squeezed From Both Sides

Outback's original pitch was straightforward: a steak dinner that felt like an upgrade over a burger, in a casual room, at a price a family could afford without much thought.

> No Rules, Just Right

That slogan carried the whole positioning and it depended on a gap between what a steak dinner cost to produce and what casual diners were willing to pay for it. That gap has narrowed from both directions. On the upscale end, LongHorn Steakhouse and Texas Roadhouse have posted comparable sales gains that Outback has not matched, pulling guests willing to trade up. On the value end, chains like Chili's and Applebee's have leaned hard into discount offers, holding onto price-sensitive diners.3 Bloomin' Brands disclosed that more than 80% of its beef purchases in 2025 came from just four suppliers, the same suppliers that sell to Fleming's, where a $110 average check can absorb a beef cost increase that a $29 check cannot.

The Sales Mix Nobody Talks About

Restaurant profitability depends less on total revenue than on what guests order and two categories matter more than their share of sales suggests: alcohol, which carries wide margins and off-premises orders, which carry packaging costs and third-party delivery fees instead of bar revenue. Outback sits on the wrong side of both. Alcohol makes up just 8% of Outback's sales, compared with 19% at Bonefish Grill and 20% at Fleming's, while roughly a quarter of Outback's sales now happen off-premises, versus about 3% at Fleming's.4 A quarter of Outback's business is effectively takeout steak, a category that travels poorly, generates no bar revenue and often routes through a delivery platform that keeps a cut of the check. That combination leaves Outback carrying the most volume of Bloomin' Brands' four concepts on its least profitable mix.

What the 2025 Numbers Show

Fiscal 2025 revenue came in essentially flat versus 2024, at $3.956 billion against $3.955 billion. Operating income did not stay flat. It fell from $139.8 million to $37.2 million, a 73% drop, as beef and labor costs ate into a business with no franchise fees to cushion the blow. Bloomin' Brands responded on November 6, 2025 with $33.2 million in asset impairment and closure charges, the closure of 21 U.S. restaurants, non-renewal of 22 more leases, a full dividend suspension and a $75 million Outback investment program running through 2028 that includes remodeling nearly every location and cutting server sections from six tables to four to improve service. There are early signs of a turnaround. Outback posted its first quarter of positive guest traffic since late 2021 in the final quarter of 2025 and in the first quarter of 2026 Bloomin' Brands reported revenue of roughly $1.04 billion and a restaurant-level operating margin of 14.0%, up from 13.9% a year earlier.5 Cutting a server's tables from six to four is a direct, permanent increase in labor cost per table, a bet only an operator with full control of its restaurants could make.

A Concentration Risk Hiding in the Franchise Line

The franchise business is small, but it carries a risk that is easy to overlook. Of the 118 franchised U.S. Outback restaurants, 74 belong to a single operator, Out West Restaurant Group, the exclusive franchisee across California, Arizona, Colorado, Nevada and New Mexico, meaning roughly 63% of the entire U.S. franchise base sits with one counterparty.6 Bloomin' Brands has operated under a forbearance agreement with Out West and its lenders since December 31, 2023, covering prior payment defaults and that agreement expires December 27, 2026. In a subsequent quarterly filing, Bloomin' Brands disclosed that Out West's senior lender had notified the company of a separate default on Out West's own credit agreement. A small line item on an income statement is not automatically a small risk and 63% of a franchise base sitting with one leveraged operator whose forbearance clock runs out within months is a structural exposure that a broadly franchised chain would rarely carry in one place.

What Chipotle and McDonald's Show About the Choice

Outback's situation becomes clearer once its ownership model sits next to peers instead of its own history. McDonald's runs roughly 95% franchised and is, in effect, a real estate and licensing business that happens to sell hamburgers, buffered from commodity swings because franchisees absorb the first hit. Chipotle Mexican Grill sits at the opposite end, almost entirely company-operated and just as exposed to input costs as Outback, yet it built a value proposition that permits price increases when costs rise. Outback built the opposite: full ownership paired with a price point that punishes any attempt to raise it. Starbucks offers a similar lesson from a different category, a mostly company-operated footprint that survives only as long as the experience justifies the price paid for it. Same structure, different pricing power and that difference separates an operator that can absorb a cost shock from one that cannot.

Key Partners

Outback depends on a small set of concentrated relationships. Four primary suppliers provide more than 80% of its beef, giving the company limited leverage to negotiate around commodity swings. Custom distribution companies move food and supplies into restaurants, while third-party delivery platforms carry roughly a quarter of Outback's sales to off-premises customers. Franchisees, including Out West Restaurant Group in the western United States and the retained equity partner in Brazil round out the partner network.

Key Activities

Running restaurants is the core activity, not licensing a brand. That covers daily food and beverage operations, supply chain management and commodity purchasing and staffing across roughly 64,000 team members. Menu development and marketing support the value-priced positioning, while an active remodeling and site-selection program is underway to modernize the fleet by 2028. Managing the smaller franchise network, including the Out West relationship, is a distinct but secondary activity.

Key Resources

The Outback and Bloomin' Onion trademarks anchor brand recognition built over three decades. The 548 company-owned U.S. restaurants form the largest physical asset base, supported by leases, kitchen equipment and real estate. The workforce, roughly 64,000 people, delivers the dining experience directly. The newer Joey prototype, a smaller-footprint building designed for lower rent and construction cost, is becoming a resource in its own right as the growth format going forward.

Value Propositions

Outback sells a grilled steak dinner with bold flavors in a relaxed, Australian-themed room, priced for a family that wants to feel like it splurged without the bill of a real steakhouse. The average check runs about $29 per person. The promise rests on a gap between what a steak dinner costs to produce and what a casual diner expects to pay, a gap now under pressure from both premium and value competitors. Consistency and hospitality, reinforced through the current remodel and service investment, are being positioned as the differentiator going forward.

Customer Relationships

Outback maintains guest relationships mainly through its Dine Rewards loyalty program, which rewards repeat visits and ordering. National television and digital advertising keep the brand visible against casual-dining competitors with similar budgets. A Restaurant Managing Partner ownership model, where unit leaders hold a direct financial stake in their restaurant's performance, ties day-to-day hospitality back to the operator structure. Service investments, including reduced server table counts, aim to rebuild trust with guests who drifted away.

Channels

The primary channel is the restaurant itself. Roughly 666 U.S. locations serve both dine-in guests, who make up about 75% of sales and off-premises orders, which account for the remaining quarter. Online ordering through Outback's app and website, along with third-party delivery platforms, handles most of that off-premises volume. International guests are served through 355 franchised restaurants across 11 countries and Guam.

Customer Segments

Outback's core guest is a middle-income U.S. family or casual diner looking for an affordable steak occasion, often suburban and value-conscious. Celebration-adjacent visits, birthdays and casual milestones, make up a meaningful share of traffic. A smaller but growing segment orders for takeout or delivery rather than dining in. Internationally, guests in markets like Brazil and South Korea are served primarily through local franchisees rather than company-run restaurants.

Cost Structure

Cost of sales, dominated by beef, is the largest and most volatile line, with Bloomin' Brands guiding to 4.5% to 5.5% commodity inflation for 2026. Labor costs run high against an 81% hourly turnover rate in 2025, forcing continual hiring and training spend. Occupancy and lease costs are significant given the company owns and operates most of its real estate footprint. National advertising and general and administrative costs round out a cost base that, unlike a franchisor's, has no fee stream sitting between it and any of these inputs.

Revenue Streams

Company restaurant sales, food, non-alcoholic beverages and the 8% of sales that come from alcohol, generate the overwhelming majority of Outback's revenue. U.S. franchise royalties run 3.50% to 5.75% of gross sales from 118 franchised restaurants, plus a $40,000 initial fee for new franchisees. International royalties run 2.75% to 5.00% from 355 restaurants across 11 countries and Guam, with initial fees of $35,000 to $75,000. Brazil contributes a small equity income stream from Bloomin' Brands' retained 33% stake, though it currently runs at a net loss.

- 1Bloomin' Brands Fiscal 2025 Annual Report
- 2Outback's $75 Million Turnaround Investment
- 3Casual-Dining Pressure On Legacy Steakhouse Chains
- 4Outback's Off-Premises Sales Mix
- 5Bloomin' Brands Q1 2026 Results
- 6Out West Restaurant Group Franchise Footprint

Summary

Outback's problem was never really about décor or menu fatigue. It is structural: a company-operated cost base paired with a value-priced promise that leaves no room to pass through rising beef, labor or lease costs. Fleming's, sitting inside the same parent with the same suppliers, absorbs those costs easily because its $110 average check and heavier pour of wine and cocktails can carry the weight. Outback's $29 check cannot. Bloomin' Brands' response, cutting server sections, remodeling nearly every restaurant, funding a smaller-footprint prototype and suspending its dividend to pay for it, is an operator's fix, not a franchisor's. Early signs, including a first quarter of positive traffic since 2021, suggest it is working. Whether that holds through further commodity inflation and a franchise counterparty's looming loan default is the open question worth watching.