OUTBACK STEAKHOUSE INC
Form 10-Q
May 08, 2001

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended:	Commission File Number:
March 31, 2001	1-15935

OUTBACK STEAKHOUSE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	59-3061413
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2202 N. Westshore Blvd., 5th Floor
Tampa, FL 33607
(Address of principal executive offices) (Zip Code)

(813) 282-1225
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of April 26, 2001, there were 76,116,137 shares of Common Stock, $.01 par value outstanding.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by Outback Steakhouse, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, all adjustments (consisting only of normal recurring entries) necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included.

OUTBACK STEAKHOUSE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2001 (unaudited)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 78,934
Inventories	33,555
Other current assets	30,019
Total current assets	142,508
PROPERTY, FIXTURES AND EQUIPMENT, NET	707,157
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES, NET	40,096
OTHER ASSETS	152,551
	$ 1,042,312
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 29,637
Sales taxes payable	12,236
Accrued expenses	49,738
Unearned revenue	21,881
Income taxes payable	21,313
Current portion of long-term debt	5,553
Total current liabilities	140,358
DEFERRED INCOME TAXES	14,499
LONG-TERM DEBT	12,301
OTHER LONG-TERM LIABILITIES	26,000

Total liabilities	193,158
INTEREST OF MINORITY PARTNERS IN CONSOLIDATED PARTNERSHIPS	16,611
STOCKHOLDERS' EQUITY	
Common stock, $0.01 par value, 200,000 shares authorized; 78,514 and 78,514 shares issued; and 76,134 and 76,632 outstanding as of March 31, 2001 and December 31, 2000, respectively	785
Additional paid-in capital	214,604
Retained earnings	675,720
	891,109
Less treasury stock, 2,380 shares and 1,882 shares at March 31, 2001 and December 31, 2000, respectively, at cost	(58,566)
Total stockholders' equity	832,543
	$ 1,042,312

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data, unaudited)

	Three Months Ended March 31,	
	2001	2000
REVENUES		
Restaurant sales	$ 516,654	$ 460,974
Other revenues	4,599	3,823
TOTAL REVENUES	$ 521,253	$ 464,797
COSTS AND EXPENSES		
Cost of sales	195,124	171,699
Labor and other related	122,990	107,689
Other restaurant operating	101,143	88,350
Depreciation and amortization	15,968	13,727
General & administrative	19,633	18,429
Income from operations of unconsolidated affiliates	(1,001)	(367)
	453,857	399,527
INCOME FROM OPERATIONS	67,396	65,270
OTHER INCOME (EXPENSE), NET	(864)	(593)
INTEREST INCOME (EXPENSE)	1,222	823

INCOME BEFORE ELIMINATION OF MINORITY PARTNERS' INTEREST AND INCOME TAXES	67,754	65,500
ELIMINATION OF MINORITY PARTNERS' INTEREST	9,106	9,877
INCOME BEFORE PROVISION FOR INCOME TAXES	58,648	55,623
PROVISION FOR INCOME TAXES	20,761	19,857
NET INCOME	$ 37,887	$ 35,766
BASIC EARNINGS PER COMMON SHARE	$ 0.50	$ 0.46
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	76,539	77,622
DILUTED EARNINGS PER COMMON SHARE	$ 0.49	$ 0.45
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	77,755	79,345

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months March 3
	2001
Cash flows from operating activities:	
Net income	$ 37,887
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	14,439
Amortization	1,529
Minority partners' interest in consolidated partnerships' income	9,106
Income from unconsolidated affiliates	(1,001)
Change in assets and liabilities:	
(Increase) decrease in inventories	(5,684)
Increase in other current assets	(5,947)
Increase in other assets	(2,154)
(Decrease) increase in accounts payable, sales taxes payable, and accrued expenses	(3,397)
Increase in income taxes payable	7,692
Decrease in unearned revenue	(32,577)
Increase (decrease) in deferred income taxes	117
Net cash provided by operating activities	20,010

Cash flows used in investing activities:	
Capital expenditures	(42,189)
Change in investments in and advances to unconsolidated affiliates	(9,440)
Net cash used in investing activities	(51,629)
Cash flows used in financing activities:	
Proceeds from issuance of common stock	
Proceeds from issuance of long-term debt	1,218
Proceeds from minority partners' contributions	325
Distributions to minority partners	(9,660)
Payments for purchase of treasury stock	(15,054)
Proceeds from reissuance of treasury stock	2,120
Net cash used in financing activities	(21,051)
Net (decrease) increase in cash and cash equivalents	(52,670)
Cash and cash equivalents at beginning of period	131,604
Cash and cash equivalents at end of period	$ 78,934
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 179
Cash paid for income taxes	$ 12,796
Supplemental disclosure of non-cash items:	
Assets/liabilities of businesses transferred under contractual arrangements	$ 22,000

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by Outback Steakhouse, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, all adjustments (consisting only of normal recurring entries) necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included.

Certain amounts shown in the 2000 consolidated financial statements have been reclassified to conform to the 2001 presentation. These reclassifications did not have an effect on total assets, total liabilities, stockholders' equity or net income.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

The December 31, 2000 balance sheet has been derived from the audited consolidated financial statements but does not include all of the disclosures required by generally accepted accounting principles. It is suggested that these financial statements be read in conjunction with the financial statements and financial notes thereto included in the Company's 2000 Annual Report.

2. Other Current Assets

Other current assets consisted of the following (in thousands):

	March 31, 2001	December 31, 2000
Deposits	$ 2,001	$ 1,543
Accounts receivable	7,461	5,549
Accounts receivable franchisees	5,517	5,100
Prepaid expenses	11,573	8,315
Other current assets	3,467	2,065
	$30,019	$22,572

3. Property, Fixtures and Equipment

Property, fixtures and equipment consisted of the following (in thousands):

	March 31, 2001	Decem 2
Land	$145,024	$13
Buildings & building improvements	330,171	32
Furniture & fixtures	86,086	8
Equipment	207,862	21
Leasehold improvements	155,149	13
Construction in progress	26,723	3
Accumulated depreciation	(243,858)	(23
	$707,157	$69

4. Other Assets

Other assets consisted of the following (in thousands):

	March 31, 2001	Decem 2

Intangible assets, net (including liquor licenses)	$ 76,884	$ 7
Other assets	39,667	3
Assets of business transferred under contractual arrangement	15,500	
Deferred license fee	20,500	
	$152,551	$11

In January 2001, the Company entered into a ten year licensing agreement with an entity owned by minority interest owners of certain non-restaurant operations (referred to in some Company literature as Outback Sports). The licensing agreement transferred the right and license to use certain assets of these non-restaurant operations. License fees payable over the term of the agreement total approximately $22,000,000 of which $20,500,000 is included in "Other Assets" and the current portion of $1,500,000 is included in "Other Current Assets". The net book value of these assets was approximately $15,500,000 and was reclassified from the line item entitled "Property, Fixtures and Equipment" to "Other Assets". The corresponding long-term liability is included in the line item entitled "Other Long Term Liabilities". The Company has deferred the gain associated with the transaction until such time as the amounts due under the licensing agreement are realized. See Note 7 of Notes to Unaudited Consolidated Financial Statements

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5. Long-term Debt

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

	March 31, 2001
Revolving line of credit, interest at 5.61% and 7.16% at March 31, 2001 and December 31, 2000, respectively	$ 10,000
Other notes payable, uncollateralized, interest at rates ranging from 4.49% to 9.50%	7,841
Notes payable to corporation, collateralized by real estate, interest at 9.0% ..	13
	17,854
Less current portion	5,553
Long-term debt	$ 12,301

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The Company has an uncollateralized revolving line of credit which permits borrowing up to a maximum of $125,000,000 at 57.5 basis points over the 30, 60, 90 or 180 day London Interbank Offered Rate ("LIBOR") (4.71% to 5.08% at March 31, 2001 and 6.20% to 6.56% at December 31, 2000). At March 31, 2001 and

December 31, 2000, the unused portion of the revolving line of credit was $115,000,000. The line matures in December 2004.

The Company has a $7,500,000 uncollateralized line of credit bearing interest at rates ranging from 50 to 75 basis points over LIBOR. Approximately $716,000 of the line of credit is committed for the issuance of letters of credit, $616,000 of which is to collateralize loans made by the bank to certain franchisees.

The Company has a $15,000,000 uncollateralized line of credit bearing interest at rates ranging from 57.5 to 95 basis points over LIBOR. Approximately $4,610,000 of the line of credit is committed for the issuance of letters of credit at March 31, 2001.

The Company has a $10,000,000 uncollateralized line of credit to support the Company's international operations bearing interest at rates 75 basis points above the three month CD rate. At March 31, 2001 and December 31, 2000, the outstanding balance was approximately $4,596,000 and $4,323,000, respectively.

The Company is guarantor of an uncollateralized line of credit that permits borrowing of up to $35,000,000, maturing March 2002, for one of its franchisees. At March 31, 2001 and December 31, 2000 the outstanding balance was approximately $23,304,000 and $22,470,000 respectively.

The Company is guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $12,000,000, maturing December 2003, for one of its joint venture partners. At March 31, 2001 and December 31, 2000, the outstanding balance was approximately $6,586,000 and $6,552,000, respectively.

The Company is guarantor of approximately $9,445,000 of a $68,000,000 note for an unconsolidated affiliate in which the Company has a 22.22% equity interest. At March 31, 2001 and December 31, 2000, the outstanding balance was approximately $65,000,000.

See "Liquidity and Capital Resources" in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

6. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2001	Decem 2
Accrued payroll and other compensation.......................	$14,769	$15
Accrued insurance..	10,199	11
Accrued property taxes.......................................	6,033	6
Other accrued expenses.......................................	18,737	13
	$49,738	$46

7. Other Long Term Liabilities

Other long term liabilities consisted of the following (in thousands):

	March 31, 2001	Dece
Accrued insurance	$ 4,000	$
Other deferred liability	22,000	
	$26,000	$

In January 2001, the Company entered into a ten year licensing agreement with an entity owned by minority interest owners of certain non-restaurant operations. The licensing agreement transferred the right and license to use certain assets of these non-restaurant operations. License fees payable over the term of the agreement total approximately $22,000,000. The Company has deferred the gain associated with the transaction until such time as the amounts due under the licensing agreement are realized. The corresponding long-term asset is included in the line item entitled "Other Assets". See Note 4 of Notes to Unaudited Consolidated Financial Statements.

OUTBACK STEAKHOUSE, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth, for the periods indicated, (i) the percentages which the items in the Company's Consolidated Statements of Income bear to total revenues or restaurant sales as indicated, and (ii) selected operating data:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
REVENUES:		
Restaurant sales	99.1%	99.2%
Other revenues	0.9	0.8
TOTAL REVENUES	100.0	100.0
COSTS AND EXPENSES:		
Cost of sales (1)	37.8	37.2
Labor and other related (1)	23.8	23.4
Other operating (1)	19.6	19.2

Depreciation and amortization	3.1	3.0
General & administrative	3.8	4.0
Income from operations of unconsolidated affiliates	0.2	0.1
Total costs and expenses	87.1	86.0
INCOME FROM OPERATIONS	12.9	14.0
OTHER INCOME (EXPENSE)	(0.2)	(0.1)
INTEREST INCOME (EXPENSE)	0.2	0.2
INCOME BEFORE ELIMINATION OF .... MINORITY PARTNERS' INTEREST AND INCOME TAXES	13.0	14.1
ELIMINATION OF MINORITY PARTNERS' INTEREST	1.7	2.1
INCOME BEFORE PROVISION FOR INCOME TAXES	11.3	12.0
PROVISION FOR INCOME TAXES	4.0	4.3
NET INCOME	7.3%	7.7%

(1) As a percentage of restaurant sales.

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Results of Operations (continued)

	Three Months Ended March 31, 2001	2000
System-wide sales (millions of dollars):		
Outback Steakhouse restaurants		
Company owned - domestic and international	$456	$416
Domestic franchised and joint venture	87	77
International franchised and joint venture	21	16
Total	564	509
Carrabba's Italian Grills		
Company owned	48	42
Joint venture	16	11
Total	64	53
Other		
Total	13	3
System-wide total	$641	$565
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company owned - domestic and international	531	485

Domestic franchised and joint venture	109	97
International franchised and joint venture	42	32
Total	682	614
Carrabba's Italian Grills		
Company owned	60	56
Joint venture	21	16
Total	81	72
Fleming's Prime Steakhouse and Wine Bars		
Company owned	3	3
Joint venture	2	
Total	5	3
Roy's		
Company owned	1	
Joint venture	5	
Total	6	
Zazarac		
Company owned	1	
Lee Roy Selmon's		
Company owned	1	
System-wide Total	776	689

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Three months ended March 31, 2001 and 2000

Revenues. Total revenues increased by 12.1% to $521,253,000 during the first quarter of 2001 as compared with $464,797,000 in the same period in 2000. The increase was primarily attributable to the opening of new restaurants after March 31, 2000, increased same store customer counts and a menu price increases of approximately 3.0% at Outback Steakhouse and 2.8% at Carrabba's Italian Grills after March 2000. The following table depicts additional activities that influenced the period to period changes in revenues:

	Three Months Ended March 31,	
	2001	2000
Average unit volumes(weekly):		
Outback Steakhouses	$ 67,735	$ 65,491
Carrabba's Italian Grills	$ 61,980	$ 57,043
Per person check averages:		
Outback Steakhouses	$ 18.62	$ 17.99
Carrabba's Italian Grills	$ 19.64	$ 19.44
Year to year percentage change:		
Same-store sales:		
Outback Steakhouses	2.3%	6.4%

Carrabba's Italian Grills	8.6%	11.2%
Same store customer counts:		
Outback Steakhouses	(0.9%)	3.9%
Carrabba's Italian Grills	7.6%	9.2%

Costs and expenses. Cost of restaurant sales as a percentage of restaurant sales, consisting of food and beverage costs, increased in the first quarter of 2001 to 37.8% of restaurant sales as compared with 37.2% in the same period in 2000. The increase was attributable to cost increases in beef and butter and was partially offset by favorable fish and alcoholic beverage costs.

Labor and other related expenses include all direct and indirect labor costs incurred in restaurant operations. Labor expenses increased in the first quarter of 2001 to 23.8% of restaurant sales, as compared with 23.4% in the same period in 2000. The increase resulted from higher hourly wage rates, a new hourly employee bonus program, and enhanced employee health insurance benefits. The increase was partially offset by higher average unit volumes at Outback and Carrabba's.

Other operating expenses include all other unit-level operating costs, the major components of which are operating supplies, rent, repairs and maintenance, advertising expenses, utilities, preopening costs and other occupancy costs. A substantial portion of these expenses are fixed or indirectly variable. As a percentage of restaurant sales, these costs increased to 19.6% in the first quarter of 2001 as compared to 19.2% in the same quarter of 2000. The increase was attributable to higher natural gas prices and expenses associated with opening new format restaurants. The increase was partially offset by lower advertising expenditures and higher average unit volumes for both Outback and Carrabba's which reduced the fixed and indirectly variable costs as a percentage of sales.

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Depreciation and amortization costs increased by 0.1% of total revenues to 3.1% in the first quarter of 2001, as compared with 3.0% in the same period in 2000. The increase resulted primarily from additional depreciation related to new unit development, "Take-away" room additions, new restaurant formats and additional amortization of goodwill related to the purchase of ownership interests from area operating partners.

General and administrative costs increased by $1,204,000 to $19,633,000 in the first quarter of 2001 as compared with $18,429,000 in the same period in 2000. This increase resulted from an increase in overall administrative costs associated with operating additional domestic and international Outback Steakhouses, Carrabba's Italian Grills, Fleming's Prime Steakhouses and Roy's as well as costs associated with the development of new restaurant formats and other affiliated businesses.

Income from operations of unconsolidated affiliates represents the Company's portion of the income or loss from Outback Steakhouse and Carrabba's Italian Grills operated as development joint ventures. Income from development joint ventures was $1,001,000 in the first quarter of 2001 as compared with income of $367,000 in the same period in 2000. This increase was attributable to additional stores operating as development joint ventures in the first quarter of 2001 and to an increase in average unit volumes.

Income from operations. As a result of the increase in revenues, the changes in the relationship between revenues and expenses discussed above and the opening of new restaurants, income from operations increased by $2,126,000 to $67,396,000, in the first quarter of 2001 as compared with $65,270,000 in the same period in 2000.

Other income (expense), net. Other income (expense), net represents the income and expense from non-restaurant businesses. Net other expenses increased to $864,000 in the first quarter of 2001 compared with net other expenses of $593,000 during the same period in 2000. The increase in the net expense is related primarily to increases in administrative, promotional and development costs associated with the growth of non-restaurant businesses.

Interest income. Interest income was $1,222,000 during the first quarter of 2001 as compared with interest income of $823,000 in the same period in 2000. The period-to-period change in interest income resulted from higher average cash balances during the first quarter of 2001 compared with the same period in 2000.

Elimination of minority partners' interests. The allocation of minority partners' interest income included in this line item represents their portion of income from operations included in consolidated operating results attributable to the ownership interests of restaurant managers and area operating partners in Company owned restaurants. As a percentage of revenues, these allocations were 1.7% and 2.1%during the quarter ended March 31, 2001 and 2000, respectively. The decrease in this ratio is the result of the purchase of minority interests in 52 restaurants from area operating partners after March 31, 2000.

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Provision for income taxes. The provision for income taxes in both quarters reflected expected income taxes due at federal statutory rates and state income tax rates, net of the federal benefit. The effective income tax rate was 35.4% for the first quarter of 2001 and 35.7% for the first quarter of 2000. The decrease in the effective rate resulted from state tax savings from changes in the corporate state tax structure, partially offset by the decrease in FICA tip credits the Company was able to utilize in the current period.

Net income and earnings per share. Net income for the first quarter of 2001 was $37,887,000 as compared with net income of $35,766,000 in the same period in 2000. Basic earnings per share increased to $0.50 during the first quarter of 2001 as compared with basic earnings per share of $0.46 for the same period in 2000. Diluted earnings per share increased to $0.49 during the first quarter of 2001 as compared with diluted earnings per share of $0.45 for the same period in 2000.

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Liquidity and Capital Resources

The following table presents a summary of the Company's cash flows and capital expenditures for the periods indicated.

	Year Ended December 31,	Three Months Ended March 31,

	2000	2001	2000
Net cash provided by operating activities	$ 239,546	$ 20,010	$ 43,539
Net cash used in investing activities	(145,819)	(51,629)	(24,917)
Net cash used in financing activities	(54,746)	(21,051)	(2,926)
Net increase(decrease) in cash and cash equivalents	$ 38,981	$(52,670)	$ 15,696

The Company requires capital principally for the development of new Company owned and joint venture restaurants. Capital expenditures totaled approximately $139,893,000 for the year ended December 31, 2000 and $42,189,000 and $25,448,000 during the first quarters of 2001 and 2000, respectively. The Company either leases its restaurants under operating leases for periods ranging from five to twenty years or purchases land and buildings where it is cost effective. The Company anticipates that 80% to 90% of the Company owned restaurants to be opened in 2001 will be free-standing units.

The Company has formed joint ventures to develop Outback Steakhouses in Brazil and the Philippines. The Company has purchased three Outback Steakhouses in Korea and will also develop future Company owned Outback Steakhouses in Korea. The Company also has entered into agreements to develop and operate Roy's Restaurants and Fleming's Prime Steakhouse and Wine Bars. Under the Fleming's agreement, the Company has committed to the first $13,000,000 of future development costs.

At March 31, 2001, the Company had three uncollateralized lines of credit totaling $147,500,000. Approximately $5,326,000 is committed for the issuance of letters of credit, some of which are to collateralize loans made by the bank to certain franchisees. As of March 31, 2001, the Company had drawn $10,000,000 on the revolving line of credit to finance the development of new restaurants. The Company expects that its capital requirements through the end of 2001 will be met by cash flows from operations and advances on its line of credit. See Note 5 of Notes to Unaudited Consolidated Financial Statements.

The Company has a $10,000,000 uncollateralized line of credit to support the Company's international operations. On March 31, 2001, the outstanding balance was approximately $4,596,000.

The Company is guarantor of an uncollateralized line of credit that permits borrowing of up to $35,000,000, maturing March 2002, for one of its franchisees. At March 31, 2001 and December 31, 2000 the outstanding balance was approximately $23,304,000 and $22,470,000 respectively.

The Company is guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $12,000,000, maturing December 2003, for one of its joint venture parnters. At March 31, 2001, the outstanding balance was approximately $6,586,000.

The Company is guarantor of approximately $9,445,000 of a $68,000,000 note for an unconsolidated affiliate in which the Company has a 22.22% equity interest. At March 31, 2001, the outstanding balance was approximately $65,000,000. See Note 5 of Notes to Unaudited Consolidated Financial Statements.

OTHER

See Notes 4 and 7 of Notes to Unaudited Consolidated Financial Statements for discussion of the Company's $22,000,000 licensing agreement for use of the assets of some of its non-restaurant operations.

OUTLOOK

The following discussion of the Company's future operating results and expansion strategy and other statements in this report that are not historical statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent the Company's expectations or belief concerning future events and may be identified by words such as "believes," "anticipates", "expects," "plans," "should" and similar expressions. The Company's forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statement. We have endeavored to identify the most significant factors that could cause actual results to differ materially from those stated or implied in the forward-looking statements in the section entitled "Cautionary Statement" below.

In the Outlook portion of Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2000, the Company provided guidance on the outlook for its businesses in 2001 and factors which may affect the Company's financial results. During the quarter ended March 31, 2001, the Company incurred higher Restaurant Operating Expenses and Cost of Sales as a result of higher natural gas and dairy prices, respectively, than paid during the comparable period in 2000 and than anticipated in the Company's comments discussed above. To the extent to which the prices of these commodities remain at current levels, the Company's operating results may be affected for the remainder of 2001.

Expansion Strategy.

The Company's goal is to add new restaurants to the Outback system during the remainder of 2001. The following table presents a summary of the expected restaurant openings for the full year 2001:

	2001
Outback Steakhouses - Domestic	
Company owned..................................	40 to 45
Franchised or joint venture....................	8 to 10
Outback Steakhouses - International	

Company owned	4 to 5
Franchised or joint venture	18 to 20
Carrabba's Italian Grills	
Company owned	6 to 8
Joint venture	10 to 12
Fleming's Prime Steakhouse and Wine Bars	
Company owned	0
Joint venture	5 to 6
Roy's	
Company owned	0
Joint venture	5 to 6
Zazarac	
Company owned	1
Selmon's	
Company owned	0
Cheesburger in Paradise	
Joint venture	1

CAUTIONARY STATEMENT

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations contains various "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations or belief concerning future events, including the following: any statements regarding future sales and gross profit percentages, any statements regarding the continuation of historical trends, and any statements regarding the sufficiency of the Company's cash balances and cash generated from operating and financing activities for the Company's future liquidity and capital resource needs. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "should" and similar expressions are intended to identify forward-looking statements.

The Company's actual results could differ materially from those stated or implied in the forward-looking statements included in the discussion of future operating results and expansion strategy and elsewhere in this report as a result, among other things, of the following

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

(ii) The Company's results can be impacted by changes in consumer tastes and the level of consumer acceptance of the Company's restaurant concepts; local, regional and national economic conditions; the seasonality of the Company's business; demographic trends; traffic patterns; consumer perception of food safety; employee availability; the cost of advertising and media; government actions and policies; inflation; and increases in various costs;

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

(iv) Price and availability of commodities, including but not limited to such items as beef, chicken, shrimp, pork, dairy, potatoes and onions are subject to fluctuation and could increase or decrease more than the Company expects; and/or

(v) Weather and acts of God could result in construction delays and also adversely affect the results of one or more stores for an indeterminate amount of time.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on debt and changes in commodity prices.

The Company's exposure to interest rate risk relates to its $147,500,000 revolving lines of credit with its banks. Borrowings under the agreement bear interest at rates ranging from 50 to 95 basis points over the 30, 60, 90 or 180 London Interbank Offered Rate. At March 31, 2001 and December 31, 2000, the Company had a $10,000,000 outstanding balance on the lines of credit.

Many of the food products purchased by the Company and its franchisees are affected by commodity pricing and are, therefore, subject to unpredictable price volatility. These commodities are generally purchased based upon market prices established with vendors. The purchase arrangement may contain contractual features that limit the price paid by establishing certain floors and caps. The Company does not use financial instruments to hedge commodity prices because the Company's purchase arrangements help control the ultimate cost paid. Extreme changes in commodity prices and/or long-term changes could affect the Company adversely. However, any changes in commodity prices would also affect the Company's competitors at about the same time as the Company. The Company expects that in most cases increased commodity prices could be passed through to its consumers via increases in menu prices. From time to time, competitive circumstances could limit menu price flexibility, and in those cases margins would be negatively impacted by increased commodity prices.

This market risk discussion contains forward-looking statements. Actual results may differ materially from the discussion based upon general market conditions and changes in domestic and global financial markets.

OUTBACK STEAKHOUSE, INC.

PART II: OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the quarter ended March 31, 2001.

SIGNATURES

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

OUTBACK STEAKHOUSE, INC.

Date: April 30, 2001

By: /s/Robert S. Merritt

Robert S. Merritt
Senior Vice President,
Finance (Principal Financial
and Accounting Officer)