BARINGTON

October 22, 2018

The Independent Members of the Board of Directors
Bloomin' Brands, Inc.
2202 North West Shore Boulevard
Tampa, Florida 33607
Attention: Mr. James R. Craigie
Lead Independent Director

Dear Mr. Craigie:

As you may know, Barington Capital Group, L.P. represents a group of shareholders of Bloomin' Brands, Inc. ("Bloomin'" or the "Company") who believe that the Company's significant value potential is not being realized. We have expressed our interest in meeting with Elizabeth Smith, the Company's Chairman and Chief Executive Officer, to discuss our recommendations to improve long-term performance. After Mark Graff, the Company's Vice President of Investor Relations and Corporate Finance, informed us that Ms. Smith would not make herself available to speak with us, we sent her a letter and a detailed presentation in February 2018 setting forth our views about the Company. Since then, Mr. Graff and David Deno, the Company's Chief Financial Officer, have helped answer our questions concerning the Company, but to our surprise our repeated requests to meet or speak with Ms. Smith to discuss our recommendations have been declined.

It is disappointing to see a chief executive officer be so dismissive to a shareholder, particularly one with experience investing in restaurant companies and identifying opportunities to improve long-term value. Of more concern to us, however, is Ms. Smith's failure to address a number of troubling trends in the Company's performance that are summarized in our February letter. These include a prolonged period of poor share price performance and declining market share, lower revenue growth than the Company's competitors despite larger marketing and capital expenditures, higher corporate expenses and lower operating margins than the Company's peers, and a recurring pattern of large provisions for impaired assets and restaurant closings. We are also concerned by the fact that Ms. Smith has not announced measures to improve the Company's strategic focus, as we believe that the complexity of the Company's structure and its centralized corporate functions are making it more difficult for Bloomin's four restaurant brands to compete with their nimbler competitors.

Clearly the Company must do better, and we are certain that it can. We are therefore writing to call upon the Board's independent directors to (1) appoint an independent Chairman to help improve Board oversight of management and the strategic direction of the Company, (2) retain a financial advisor to help the Board evaluate alternatives to enhance the Company's strategic focus, including the spinoff or sale of Bonefish Grill, Carrabba's and Fleming's, and (3) declassify the Board and adopt a majority vote standard for uncontested director elections to help improve the Company's corporate governance.

Poor Long-Term Returns for Shareholders

Ms. Smith has failed to create meaningful long-term value for shareholders during her tenure as a public company CEO. As illustrated in the table below, the Company has underperformed its self-selected peer group and the market as a whole by a substantial margin over the last three- and five-year periods, as well as since the Company's initial public offering (IPO) in August 2012:

	1-Year (10/20/17-10/19/18)	**3-Year** (10/20/15-10/19/18)	**5-Year** (10/21/13-10/19/18)	**Since IPO** (8/8/12-10/19/18)
Bloomin' Brands	10.5%	7.2%	-7.9%	66.9%
Peer Group[1]	14.6%	26.1%	79.7%	152.7%
Darden Restaurants[2]	32.0%	104.0%	170.0%	177.1%
S&P 500 Index[3]	9.6%	45.0%	75.8%	124.7%
Russell 2000 Index[3]	3.5%	38.2%	48.3%	109.8%

It is our belief that the Company's disappointing share price performance is primarily the result of poor operating execution and poor strategic and capital allocation decisions under Ms. Smith's leadership. In the absence of enhanced Board oversight or the appointment of a new CEO, we expect such disappointing performance to continue.

Insufficient Strategic Focus

As stated in our February letter, we believe that the Company's performance is being hindered by the complexity of its business structure. Bloomin' currently oversees four different restaurant brands, with both Company-operated and franchised restaurants, as well as domestic and international operations. We believe that the Company's attempt to operate four divergent brands has negatively impacted strategic focus and operating execution at each of its business, making it more difficult for them to compete with their nimbler competitors. We therefore recommend that the Company sharpen its strategic focus by pursuing a spinoff or sale of Bonefish Grill, Carrabba's and Fleming's, leaving Outback Steakhouse to operate independently. It is our belief that a more focused management team would perform substantially better and do a more effective job of enhancing the guest experience to improve customer loyalty and increase revenues. Given the significant improvement in shareholder value that has been achieved by other companies that have pursued this path, as well as the typical reluctance of CEOs to take steps that would decrease the size of the operations they oversee, we believe that it is imperative that the Board take a lead role in evaluating alternatives to enhance the Company's strategic focus. We also recommend that the Board engage a financial advisor to assist with this important endeavor.

Weak Revenue Growth Despite Elevated Advertising Expenses and Capital Expenditures

As we highlighted in our February letter and presentation, the Company's revenue growth has been well below that of its peers, despite advertising expenses and capital expenditures that are appreciably higher as a percentage of sales than its peers. Over the last six years, the Company's advertising expenses have totaled $1.0 billion and averaged 3.9% of sales, significantly above 2.1% of sales averaged by its peers.[4] The Company also has invested $1.4 billion in capital expenditures over the last six years, equal to nearly 50% of the Company's enterprise value of $2.8 billion as of the date of the Company's IPO. We believe that Ms. Smith's failure to deliver attractive returns to shareholders or to achieve material revenue growth despite spending $2.4 billion in advertising and capital expenditures is a clear indication of poor operating execution.

Recurring Impairment Charges

The Company has had a recurring pattern of impairment charges, which we believe is indicative of poor operating execution, as well as poor capital allocation decisions, under Ms. Smith's leadership. While we recognize that not every new restaurant location will succeed, we are troubled by the large and recurring charges that have occurred under Ms. Smith's watch. Over the five-year period from 2013 to 2017, Bloomin' recorded $269 million of impairment losses and restaurant closing expenses, equivalent to approximately $2.80 per share. This pattern has continued in 2018, as the Company has already recorded $11.6 million of impairment losses and restaurant closing expenses in the first half of 2018.

We find it concerning that these recurring impairment charges appear to have had little impact on Ms. Smith's compensation. The Board's Compensation Committee used adjusted EPS growth, excluding impairment charges, as its sole performance measure for the performance stock units that were granted to Ms. Smith for her long-term equity incentive awards for 2017. Furthermore, 70% of the short-term incentive plan payouts made to Ms. Smith are based upon Adjusted EPS, which excludes impairment losses and restaurant closing expenses.[5] In addition, the Company's aggressive share repurchases have boosted Adjusted EPS in recent years. As a result, despite the Company's substantial impairment charges and poor performance relative to its peers and the market as a whole, Ms. Smith has been compensated extremely generously during her tenure as CEO, receiving nearly $52 million of total compensation over a six-year period. Given the recurring nature of these impairment charges and the control that Ms. Smith's management team has over restaurant openings and closings, we do not believe that impairment losses and restaurant closing expenses should be excluded from Adjusted EPS by the Compensation Committee. It is also our belief that the Company and its shareholders would be better served if the Board amended the Company's long-term executive compensation arrangements to utilize more comprehensive performance metrics such as return on invested capital (ROIC).

Recent Losses in China

In the Company's earnings call for the first quarter of 2018, Ms. Smith stated, "In Asia, we are very pleased with how the business in South Korea has performed with our franchise partner. We are contemplating a similar approach in China, where we would move away from a company-financed model to a franchise or joint venture model." The Company then made no mention of China in its earnings call for the second quarter of 2018. Given that during the second quarter Bloomin' closed all eight of its restaurants in mainland China and recorded impairment losses and restaurant closing expenses in the international segment of $7.9 million, it appears that the Company failed in its plans to find a franchisee or joint venture partner. This is disconcerting, not just because this is likely another example of poor execution and poor capital allocation under Ms. Smith's leadership, but because of the lack of disclosure and transparency that has been provided with respect to this matter.

Excessive Corporate Costs

In our February letter and presentation, we stated that we believed Bloomin's corporate expenses were excessive and hoped that Ms. Smith would take steps to reduce them. Unfortunately, since that time, the Company's corporate expenses have only increased further. In fiscal 2017, unallocated corporate expenses were $180.1 million, a 17.6% increase over the $153.1 million in unallocated corporate expenses reported in fiscal 2016. Likewise, total general and administrative (G&A) expenses in fiscal 2017 were $307.0 million, a 14.5% increase over the $268.0 million in G&A expenses incurred in fiscal 2016. Furthermore, G&A expenses were 7.3% of sales in fiscal 2017, well above the 5.9% median of the Company's peers. We believe that the Company's centralized corporate functions have resulted in excessive general and administrative costs, slower decision making and less effective operating execution at the brand level.

When we publicly released our detailed plan for Darden to improve long-term shareholder value in December 2013, we identified at least $95 million of potential G&A savings, including measures to decentralize functions that increased the complexity of the company and were hindering operating execution.[6] In 2015, under the leadership of a new CEO, Darden announced a plan to reduce expenses by $145 to $165 million.[7] Darden's G&A expenses as a percentage of sales have since declined from 6.6% in the fiscal year ended May 25, 2014 to 5.1% in the fiscal year ended May 27, 2018. This improvement in G&A expense efficiency, along with brand-level operating improvements and a disciplined return of capital to shareholders, led Darden's stock to outperform its peers and the market as a whole by a substantial margin in recent years. Darden's stock price has increased from $46.74 on December 16, 2013, the day before we released our plan to increase shareholder value, to its latest closing price of $106.33, a 127% increase excluding dividends, or a 168% return including dividends (currently $3.00 per share annually) and the spinoff of Four Corners Property Trust (valued at $6.79 per share of Darden at the time of the spinoff). We believe that a similar opportunity exists for Bloomin', and are convinced that if the recommendations made in our February letter are effectively executed, the Company's common stock could increase in value to approximately $41 per share within the next three years.[8]

Substantial CEO Stock Sales

Since Ms. Smith received our February letter stating that we believe that the Company's intrinsic value per share is well above its current market price, Ms. Smith has disposed of options to purchase over 1.9 million shares, netting her over $32 million. Her sales appear to have been well timed, as her average selling price was approximately $23 per share, more than 17% above the latest closing price of $19.56. Ms. Smith's disposition of such a significant number of shares is disconcerting and seems to indicate that she disagrees with our assessment that the Company's stock is undervalued. We believe that the Company's shareholders deserve a CEO whose personal securities transactions demonstrate more faith in the future of the Company and a greater commitment to improving long-term value for shareholders.

Corporate Governance

Given Ms. Smith's record as Chairman and CEO, we believe that the Board must take immediate steps to enhance its oversight of management and improve the Company's corporate governance. Of particular concern to us is the Company's lack of an independent Chairman, its classified board structure, and that directors are still elected by an outdated plurality vote standard in uncontested elections.

We believe that corporate governance plays a crucial role ensuring the proper functioning of a publicly traded company by creating a framework that promotes sound business practices and long-term value creation for shareholders. Shareholders depend on the Company's corporate governance to ensure, among other things, that management and shareholder interests are properly aligned and that there is a corporate culture at Bloomin' that promotes transparency and accountability to shareholders. We strongly recommend that the Board appoint an independent chair, which we believe will improve the Board's ability to perform its key functions, including overseeing management, advising on the Company's strategic direction and evaluating and compensating the CEO. We also recommend that the Board promptly declassify the Board and adopt a majority vote standard for uncontested director elections to help improve the Company's corporate governance.

We also continue to believe that the Company would benefit significantly from the addition of new independent directors with experience overseeing operating improvements and streamlining the strategic focus of publicly traded companies. As we previously stated in our February letter, we would be pleased to recommend candidates who can add meaningful value to the Bloomin' Board.

Conclusion

While we are confident in the value potential of Bloomin', we believe that greater board oversight is needed given Ms. Smith's inability to realize this value for shareholders since the Company's IPO in 2012. We therefore call upon the Board's independent directors to promptly (1) appoint an independent Chairman to help improve Board oversight of management and the strategic direction of the Company, (2) retain a financial advisor to help the Board evaluate alternatives to enhance the Company's strategic focus, and (3) take the other steps that we have recommended in this letter to improve the Company's corporate governance. As a shareholder with a history of working constructively with companies to help design and implement measures to improve long-term value, we would like to meet with you to discuss our recommendations in greater detail.

Sincerely yours,

James A. Mitarotonda

Endnotes:

[1] The Company's peers per its 2018 proxy statement consist of Bob Evans Farms, Inc.; Brinker International, Inc.; Chipotle Mexican Grill, Inc.; Cracker Barrel Old Country Store, Inc.; Darden Restaurants, Inc.; DineEquity, Inc.; Foot Locker, Inc.; Hyatt Hotels Corporation; Jack in the Box Inc.; MGM Resorts International; Panera Bread Company; Ross Stores, Inc.; Royal Caribbean Cruises Ltd.; Ruby Tuesday, Inc.; Starbucks Corporation; Starwood Hotels & Resorts Worldwide, Inc.; Texas Roadhouse, Inc.; The Cheesecake Factory Incorporated; The Wendy's Company; Wyndham Worldwide Corporation; and YUM! Brands, Inc.

[2] In June 2013, Barington privately shared with Darden's senior management team its recommendations to improve the company's financial and share price performance. These included that the company reduce its cost structure, improve operating focus and spin off its owned real estate into a separate company. On October 17, 2013, Barington publicly disclosed these recommendations. Darden's stock closed at $46.30 on October 17, 2013 and last traded at $106.33 on October 19, 2018. In November 2015, Darden spun off its owned real estate into a separately traded public company, Four Corners Property Trust, which represented $6.79 per share of value to Darden shareholders at the time of the spinoff.

[3] Source: S&P Capital IQ. Index returns calculated assuming the reinvestment of dividends.

[4] For this comparison we have used a group of more direct peers selected by Barington which consists of Darden Restaurants, Inc.; Cracker Barrel Old Country Store, Inc.; The Cheesecake Factory Incorporated; Brinker International, Inc.; Texas Roadhouse, Inc.; Ruth's Hospitality Group, Inc.; Fogo de Chao, Inc.; and Del Frisco's Restaurant Group, Inc.

[5] In addition, the STIP payout amount is subject to individual performance ratings.

[6] See http://bit.ly/dardenplan

[7] On April 5, 2016, Darden's CFO Ricardo Cardenas stated, "We still expect our total cumulative savings to be between $145 million to $165 million over fiscal '15 through fiscal '17. Now I just want to remind you that we're leveraging our scale and simplifying our business in ways that don't impact the consumer." The range of $145 million to $165 million of expense savings had been increased from the company's original estimate of $90 to $100 million.

[8] See Barington's February letter and presentation to the Company at www.barington.com/bloomin.html

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