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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Brinker International Q1 F'19 Conference Call. (Operator Instructions) It is now my pleasure to turn the floor over to your host, Mika Ware, Vice President of Finance and Investor Relations. Ma'am, the floor is yours.

Mika Ware - *Brinker International, Inc. - VP of Finance & IR*

Thank you, and good morning, everyone. With me on today's call are Wyman Roberts, Chief Executive Officer and President of Chili's; and Joe Taylor, Chief Financial Officer. Results for the quarter were released earlier this morning and are available on our website at brinker.com. As is our practice, Wyman and Joe will first make prepared comments related to our operating performance and strategic initiatives. We will then open the call for your questions.

Before beginning our comments, please let me remind everyone of our Safe Harbor regarding forward-looking statements. During our call, management may discuss certain items, which are not based entirely on historical facts. Any such items should be considered forward-looking statements within meaning of the Private Securities Litigation Reform Act of 1995. All such statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such risk and uncertainties include factors more commonly described in this morning's press release and the company's filings with the SEC.

And of course, on the call we may refer to certain non-GAAP financial measures that management uses in its review of the business and believes will provide insight into the company's ongoing operations.

And with that said, I will turn the call over to Wyman.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Thanks, Mika, and good morning, everyone. As you saw in this morning's press release, it was a strong first quarter for Brinker with positive comp sales of 1.8%, positive comp traffic of 3.6% and earnings per share of $0.47. And Chili's performance continues to climb, up 2% in comp sales and 4% in traffic for the quarter. We're pleased with our continued momentum at Chili's. We remain committed to our traffic driving strategy and believe there's plenty -- still plenty of upside in both the near and long term for our business and for our shareholders. Last year, we committed to improve the guest experience at Chili's by making meaningful investment in the quality and consistency of our products, increasing convenience for our guests and offering an even more compelling value proposition. And to execute those improvements, we had to give our operators a simpler model.

Every quarter since then, we've delivered sequential improvements in our results. By fourth quarter, we were capturing share, driving traffic and running positive comps. And this quarter has been our best year, outperforming the industry on sales and significantly outperforming on traffic. With our most recent menu, we introduced the comprehensive value strategy that brings to life value propositions that are compelling to our core guests at both lunch and dinner. We've taken an aggressive approach to creating offerings that meet a variety of consumers' needs and that leverage the unique attributes that differentiate the Chili's brand. We know our guests well. We listen to them and we're committed to make it affordable for them to enjoy Chili's more frequently. Our guests are telling us that our focus this past year on ensuring our food is faster and hotter is having a big impact on their experience. We can see that progress in every metric we track.

And the strategic work we've done to accelerate our takeout business kicked in during the second half of fiscal '18 with the introduction of our new to-go online platform. Our new to-go business continues to grow double digits and now we're growing traffic both inside and outside the restaurant. So we've dialed in the basics and will continue to refine and tweak as we move forward. As I spend more time in our restaurants with our team members and guests, it's clear that our next step is to focus on executing more consistently, especially during peak times. So the Chili's leadership team and I are doubling down on our support our operators, focusing on delivering on systems that ensure we can execute with excellence for every guest 14 shifts a week. And this starts with the talent we have in our restaurants. The whole industry is rightfully concerned about talent; where to find talent and how to afford it. The good news is we believe we have a competitive advantage in the talent marketplace because we've created a best-in-class system to keep and build our best talent versus having to buy it from the outside. Our hourly and manager turnover is significantly better than the industry and we're growing our top-performing hourly team members into top-performing operators. We're retaining and developing the people who have learned our culture, our systems and our promise to our guests from the ground up, true ChiliHeads.

I've spent my time so far talking about Chili's, but the Maggiano's team also continues to execute well as Kelly Baltes transitions into his role as Brand President. I'm excited about what they'll deliver as they're heading into their biggest season of the year. Globally, we're working hard with our partners to address some of their ongoing macroeconomic headwinds, but we're encouraged by the ongoing demand for the Chili's brand internationally and we plan to maintain our industry-leading rate of brand expansion into the foreseeable future.

Bottom line is that our teams are focused on getting better every day. We have a world-class restaurant support team that's driven to provide operating teams with the systems, insights, innovation and marketing that enables them to provide our guests with outstanding experiences. We are all excited about what lies ahead and I'm thrilled to be part of the team.

And now I'll turn the call over to Joe to walk you through the numbers. Joe?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Hey, thanks, Wyman, and good morning, everyone. We began our fiscal year '19 performance with a solid first quarter as a continued excellence of our strategy to drive traffic kicked into a higher gear. Combined comp sales for Brinker in the first quarter were positive 1.8%, another very nice step forward in the sequential improvement of this important aspect of the business.

At the brand level, Chili's reported quarterly net comp sales of 2% and our Chili's U.S. franchise network reported comp sales of 1.5%. International franchise networks comp sales reflected strong performance in important markets such as Mexico and the Caribbean; however, these were more than offset by the economic issues in our Middle Eastern markets. Maggiano's net comp sales were flat year-over-year. As Wyman mentioned, the primary driver of the comp sales increase at company-owned Chili's was quarterly traffic improvement of 4%. Chili's was positive to the industry in traffic by over 460 basis points, gapping the industry every week of the quarter. Our industry gapping traffic momentum has carried forward into the first part of our current quarter.

Chili's realized momentum across the business with positive growth at dinner and lunch dayparts, as well as positive growth from both in restaurant and to-go operations. Our to-go business at both brands performed significantly well, with Chili's up 17% for the quarter and Maggiano's up 20% on the strength of its new double your portion carryout strategy.

Chili's net price for the quarter was flat year-over-year, however underlying this figure was menu pricing of 1.3%, a level in our target range of 1% to 1.5%. The difference in our menu pricing level and reported net price is the year-over-year change of comp expense, which we record against gross price. As it relates to mix, the effective traffic driving 3 for $10 offer did impact the brand's reported mix for the quarter, resulting in a negative 2% impact on comps. Our restaurant operating margin for the quarter was 11.1%. The 1.5% decrease is in line with our expectations and is a combination of investment into our food and value propositions along with sale leaseback related rent expense and the adoption of the new revenue recognition standard as detailed in this morning's press release. For comparative purposes, without the sale leaseback impact and the change in accounting standard, our operating margin would have been 12.5% for the quarter.

Within the operating margin performance, cost of sales for the quarter increased 20 basis points to 26.4%, primarily as a result of our initiative to provide our guests with a compelling value proposition.

We continue to see overall market conditions in our supply chain that support a status quo cost environment in the near term. We are 86% contracted across our commodity basket for the current quarter and 50% contracted to the end of the fiscal year. Restaurant labor increased 20 basis points year-over-year, driven by anticipated wage rate inflation and an increasing quarterly health insurance claims. We continue to expect our wage rate inflation to be between 3% to 3.5% for the year.

Restaurant expenses for the quarter increased to 27.3% due to the increased rent expense and the aforementioned change in revenue recognition. We also recorded a somewhat higher spend for restaurant level maintenance this quarter compared to last year. Our first quarter adjusted earnings per share before special items increased almost 12% to $0.47 for the quarter. Our first quarter ending lease adjusted leverage decreased to 3.58x EBITDAR as we applied proceeds from the sale leaseback to reduce revolving credit borrowings. We do currently anticipate leverage will increase somewhat in support of our capital allocation strategies with a target of 3.9% to 4% for the remaining quarters of this fiscal year.

We continued to execute our capital allocation strategies during the quarter with capital expenditures of $31.2 million, reflecting the higher spend from the restaurant reimage program now fully underway at Chili's. In addition, we paid dividends of approximately $16 million and repurchased approximately 2.1 million shares during the quarter.

In summary, it was a good start to the fiscal year, driven by the execution of our strategy at the restaurant level. Our operators are focused on driving improved traffic at our brands, growing market share and improving our flow-through as we move forward with our strategy implementation.

With our comments now complete, let's open the call for questions. Kate, I will turn it back to you to facilitate.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today is coming from Sara Senatore.

Sara Harkavy Senatore - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Bernstein. And 2 quick questions, if I may. The first is I just wanted to sort of understand this kind of traffic gain versus the industry. I mean certainly it seems like the value proposition is helping and some of the comp investment that you're doing is certainly helping there. I know you get this question a lot, do you have any sense of where that might be coming from? It strikes me that you and other broader varied menu restaurants have done quite well. And then some of the more narrowly focused, let's call it bar and grills have struggled, so I was just curious about that. And then I wanted to ask a related question about margins because it sounds like ex some of the changes in accounting, your margins are actually flattish, which is relatively rare in this environment. So maybe talk a little bit about what you're doing there and what the opportunities to offset might be going forward.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Sara, this is Wyman. I'll answer the first question and I'll let Joe kind of deal with the margin issue. The growth that we're seeing in traffic is I think coming from a broader spectrum than may be typical. And I think that's representative of kind of the compelling nature of some of the offers, both at lunch and dinner as well as the to-go business growing. So we're growing lunch, dinner and takeout at a pretty good rate. I think we're taking share from a broader group of competitors, and you might normally consider if it was some just one-off promotional strategy targeted to maybe of our more obvious competitors. So that's the way I see it. I don't -- when we look at kind of the broader market, it doesn't look like there's 1 player giving it up us much as it is kind of coming from a broader spectrum, which we think is a good strategy. So that's kind of how we did it.

Sara Harkavy Senatore - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. And just to clarify, when you say broader do you mean like not just other full-service casual diners, but QSR as well?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, I think so. I think especially when you think about takeout. And I think some of the pressure that casual dining has experienced with even some fast casual, I think we're starting to become more competitive in a lot of those spaces now with the availability of and the quality of the to-go offering, the value propositions in both takeout and lunch and dinner. And we're starting to kind of solidify our position across several of those big spaces.

Sara Harkavy Senatore - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I understand. And then just on the margins?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, Sara, I think it's really smart, and you're exactly right, if you do factor out those 2 changes that I cited, it is a relatively flat margin environment. It's really hard work being done across a number of different areas, particularly in the restaurant. It's great work being done by supply chain to effectively manage that piece of the business. We're getting more effective and efficient from a marketing perspective. But there's heavy lifting just being done across a number of different line items. Obviously, there's puts and takes, ups and downs within that, but overall we are -- we do have a strong belief that we can manage those margins. We have I think a pretty good track record of being effective operators and they're really bringing that to bear.

Operator

Our next question today is coming from John Glass.

John Stephenson Glass - *Morgan Stanley, Research Division - MD*

It's Morgan Stanley. Can you talk a little bit about how mix, you think mix flows to the balance of the year? It was tricky this quarter, you had a strong mix last year, so maybe mix was a little bit in reaction to that. Can you just talk about how you think that progresses? Is it more like stronger traffic and negative mix the balance of the year as you seek to create that traffic through value? And if you're willing to talk about what percentage of sales maybe the 3 for $10 actually represented, how big has that gotten on your menu mix?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

John, yes, so that's great insight. So obviously last quarter, if you remember, we were setting ourselves up for this strategy and we were kind of running a higher check, lower promotional mix. So as we wrap against that with a more aggressive value proposition, the mix piece was accentuated. We don't anticipate seeing that level of mix as we roll through the rest of the year. With regard to how 3 for $10 is doing, I don't want to get specific, it's kind of competitive there. I'll just say our -- we look at kind of all our value platforms, if you will, in totality to say, hey, we're offering enough value for those guests that need value and there are segments in the marketplace that are more value oriented. Do we have the right kind of mix in our menu? And we feel really good about where we're sitting right now with the combination of several kind of more value-oriented platforms on our menu. We think we've got a really nice balance.

John Stephenson Glass - *Morgan Stanley, Research Division - MD*

And just you brought the topic of turnover and staffing. One of your competitors or direct competitors talked about sort of adding more staffing to restaurants to continue to drive sales. Are you staffed, in your view, appropriately? Do you need -- are you still needing -- do you still have open positions in restaurants or do you feel like you've got the right staffing given the increased traffic levels you're experiencing?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

No, we feel good about our staffing levels. We're really focused on building and supporting the quality of the team members we have, both hourly and management. Our focus is on really making sure that they're supported to do the job that we expect and our guests are looking for.

Operator

Our next question today is coming from Greg Francfort.

Gregory Ryan Francfort - *BofA Merrill Lynch, Research Division - Associate*

It's Bank of America. Joe, I had 2 questions for you. The first is I think you said around 140 basis points between both rent and the franchise accounting changes. I guess so the other operating line ex those 2 would have been down about 30 basis points. What's the driver there? And is rolling off Plenti sort of drive that 30 basis points or sort of can you quantify that amount at all? And then the other question I had was as you look out at rising interest rates, what are your thoughts on fixing the debt or a greater portion of the debt than you do today?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Well, first, on the margin question. Yes, you're right in the ballpark as it relates to the impact, probably slightly, just a couple basis points higher than that 140. Again taking that off the table, there's a number different deltas. The benefit -- there is a benefit actually from rolling out of Plenti within the margins as that loyalty cost shifts back into the comp side of the equation, so that's one of the positives there. Obviously, effectively managing through labor, one of the things we talked, again going back to some of the prior comments about focusing a lot of time and attention on retention and training. That helps work through the labor environment by keeping folks and getting more tenured folks in place. So again number of different puts and takes, but the delta you're talking about, 140 to 150 is right in the ballpark. As it relates to fixing the debt, I mean we obviously have a component of our debt that is already fixed. We watch those markets closely. We have incorporated what we think will be a conservative rate environment into the numbers that we provided for the year. And you just kind of watch the markets closely. What we may do down the road, I'll save to doing down the road, but it's something that's front of mind and we evaluate it in the context of where we see the business going over the next several years and what's going currently in the rate markets.

Operator

Our next question today is coming from Rob Derrington.

Robert Marshall Derrington - *Telsey Advisory Group LLC - MD & Senior Research Analyst*

Yes, Telsey Advisory. Wyman, could you give us a little bit of an update on how the Chili's rewards program, how the membership is growing? I know you put a lot of energy behind that and there were some strategic changes in the way you're going to use that in your promotional mix and your plan in this fiscal year. Any kind of color on how that membership is growing? And are you pleased with the progress there?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Bob, yes, we absolutely are pleased with the transition from Plenti over to -- back to My Chili's Reward and a fully owned loyalty program. Our loyalty database has grown significantly with an acquisition, kind of an aggressive acquisition strategy. We started kind of late last year. We are well over 6 million active loyalty members and committed to kind of continuing to grow it. Right now I would say we are using a couple of different strategies. And probably, we think we have potential to leverage that group significantly more than we are today as we kind of move through different phases of the program. So excited about where the program is at today in terms of how we've been able to grow it up. Look forward to continuing to grow it and we see a significant upside as we kind of more aggressively market against that group kind of in the future.

Robert Marshall Derrington - *Telsey Advisory Group LLC - MD & Senior Research Analyst*

I appreciate that. Could you quantify for us the statement that I think either you or Joe had made about the second quarter to date trends "still outperforming peers?" Was that on traffic or nominal comps? Was that second quarter to date versus the first quarter trend? How do we understand that?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Bob, I'm -- the comment was specific to traffic. I didn't quantify it for you but we are continuing the market share, gaining momentum in traffic that we talked about in the first quarter in this first part of this quarter.

Operator

Our next question today is coming from Stephen Anderson.

Stephen Anderson - *Maxim Group LLC, Research Division - Senior VP & Senior Equity Research Analyst*

With Maxim Group. Looking at the line with supervisory and non-supervisory expenses, you talk about the increased rent that you're paying. Should we look at that line also to account for maybe an increase in the managerial pay to try to attract -- I know you referenced that in your prepared comments, but do you find that you're having to maybe pay your managers maybe a little bit more? They say that performance has gotten better and that should actually be reflected in that number.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Sure. And again I think you were talking about restaurant expense line. Management, restaurant level management is going to be in the labor line, Stephen.

Operator

Our next question today is coming from Jeffrey Bernstein.

Jeffrey Andrew Bernstein - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Barclays. Two questions. One kind of following up on the traffic question from earlier, it's up 400 basis points this quarter. Looking back to last year this quarter, it was down 800 or so. So obviously fairly easy compares. I'm wondering if you can talk about the sustainability of the traffic because it does look like the compares are much more difficult the rest of the year. So I'm wondering how you think about the give-and-take of the more difficult compares or maybe what traffic number is assumed in your full year fiscal guidance just to kind of get a sense for expectation on traffic going forward.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Jeff, Wyman. Yes, obviously, the -- we don't give traffic number guidance, but you got our sales numbers and you kind of know our pricing strategy. So yes, there was a little bit of an easier lap as I already mentioned, last year, first quarter. But we continue to see this strategy playing out well for us and continue to grow traffic into the near future. So we think the combination of improved quality, stronger value and then just better execution is going to allow us to continue to move forward with growth in traffic for the near future. We've also obviously got some marketing strategies and tactics that we will bring to bear that are going to be incremental to what we have been doing, so we don't anticipate just going up against next year without some new, exciting kind of initiatives to kind of lean into.

Jeffrey Andrew Bernstein - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Got it. And the references to market share, I'm not sure whether it's simplistically looking at what your traffic or comp has grown relative to the industry or whether you have data to support maybe what your actual market share is. I'm just wondering how you compare your absolute market share, whether it's between bar and grill or within the broader category, maybe what that's been versus -- or what it is now versus historic or how you even measure that in the first place.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, no, there's several industry metrics that we look at. We always are looking at the broader casual dining category and then keep an eye on bar and grill. But we look at the broader casual dining marketplace to understand how are we performing. And again, as we've said, our strategy is to grow share through traffic, and to grow the traffic at Chili's specifically over the last year has been our goal. And it's kind of playing out for us and works out about kind of that -- how that is working and the long-term viability of that plan we think is the best place to be.

Jeffrey Andrew Bernstein - *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

Got it. And lastly are you sharing what your take-out or to-go mix is in total? I think you mentioned what each one of the brands was growing, but I'm wondering what the base is that we're referencing.

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, the one we've talked most about, obviously is Chili's. It is pushing up into the high 11.7%, 11.8% kind of range there, Jeff.

Operator

Our next question today is coming from David Palmer.

David Sterling Palmer - *RBC Capital Markets, LLC, Research Division - MD of Food and Restaurants and Consumer Analysts*

Great, RBC. Just looking at the same-store sales components, we can all see the quarter, there's a pretty dramatic switch there in terms of traffic versus check. I understand that you're making adjustments now, the 2 for $22 and I think you're not only adjusting price but components of that menu. You've got the $5 margaritas, I think the -- that margarita of the month. And then you're presumably going to keep on at least pulsing that 3 for $10. So I'm wondering if you're getting a sense of how adjustments are going to play out from here and how much of a goal is it for you to have a more balanced traffic and check? And is that balance coming into focus even as you see some recent results?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

David, yes, absolutely. And I think what you're referencing or -- is what's kind of happening on our menu today, right. So we've had value platforms in the past. And I guess one of the things that maybe differentiates us a little more from some others is we made a commitment really years ago not to rely so much on an LTO strategy. We just, from an operational standpoint, we think the more you can lock your value proposition in gives your operators more continuity and the ability to execute on a day-in, day-out basis better than having to kind of throw major menu shifts and innovation at them on a frequent basis. So we understand the importance of new news and innovation but we really want to keep value propositions as much as we can locked in. And so what we've done with the menu is we have started to look at some of our more traditional value propositions and modified them. You mentioned 2 for $22. That's been changed with this more recent menu. So and as we lean more into the 3 for $10, which is working very well for us both at lunch and dinner, we are also able to look at our lunch propositions. And then you've also mentioned our kind of more Happy Hour $5 Margarita program. So we bring these programs in, we tend to lean into them for longer periods of time than the typical LTO. It also takes pressure off your marketing that you don't have a recreate urgency every 6 or 8 weeks. You get to build a loyal guest base against the ongoing value propositions that you offer and that's kind of the strategy we're taking. And with regard to how it's playing out for us, we feel really good where we're at right now. Like I said, we're dialing it in, we're always going to be getting smarter about where it's working for us on the menu and some regional stuff. But our franchisees are also very happy with this approach and so we're kind of moving forward from here.

Operator

Our next question today is coming from Jeff Farmer.

Jeffrey Daniel Farmer - *Gordon Haskett Research Advisors - MD & Senior Analyst of Restaurants*

It's Gordon Haskett. So I believe you guys plan to remodel 250 restaurants this fiscal year. I'm just curious what the downtime is for a remodeled restaurant and how you guys handle that downtime in terms of calculating the same-store sales?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Gordon, that's an easy one. There's zero downtime. We don't close. We work them at night. We're doing bathrooms, so occasionally, if there's something that happens, they may have to deal with it little bit. But right now, we're not having to close really for any business opportunities.

Jeffrey Daniel Farmer - *Gordon Haskett Research Advisors - MD & Senior Analyst of Restaurants*

Okay, that's helpful. And just one more follow-up. A lot of questions about this, but were you surprised by the customer response to 3 for $10? I think you ran the promotion earlier in the year and didn't seem to get the same traffic number, at least on a smaller scale. So any surprises for you in terms of running it over the summer and the strong customer response?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

No, actually. We're pretty much in line with what our expectations were, based on what we saw last year when we brought it out the first time.

Jeffrey Daniel Farmer - *Gordon Haskett Research Advisors - MD & Senior Analyst of Restaurants*

Okay. Just final bookkeeping one, any updated guidance on interest expense, close to refinance?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

No, Jeff, for our policy, if we had any updates, we would give them to you in the press release and the comments. So nothing today as it relates to guidance.

Operator

Our next question today is coming from Karen Holthouse.

Karen Holthouse - *Goldman Sachs Group Inc., Research Division - VP*

Karen Holthouse, Goldman Sachs. Just looking at the labor line, it looks like labor costs for a store week were actually rising a little bit slower than that, like 3% to 3.5% wage inflation. So curious if there's onetime items around timing around workers' comp or anything that affected that line? Or with the growth of to-go, are you actually able or are you in a position where you can grow labor costs below really even kind of -- or grow labor costs less than underlying inflation even with traffic growth?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, Karen, you are correct. I mean average labor per restaurant is up. But within that wage rate level that we've talked about, there's obviously a lot of things to go into that calculation of being very effective and efficient on how you use those hours in the restaurant, how you apply them in -- for in dining versus to-go, things of that nature. Something we spend a lot of time and worked very closely with the operators to achieve as efficient an operation. We will be -- as business grows, as volumes increase, yes, there are hours that go back into the business. But you can be very efficient on how you apply those hours. There are some other puts and takes in there as it relates to insurance and workers' comp and things of that nature but I think the utilization of the hours is the big one that we focus time and attention on.

Karen Holthouse - *Goldman Sachs Group Inc., Research Division - VP*

And then as we're looking through the balance of the year, is there anything -- well, I guess, this quarter as well, any sort of mismatches in terms of the cadence of advertising spending or media weights that we should be aware of?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Not really. I mean I think, again, we developed a marketing plan that runs throughout the year, has a very established cadence, but nothing that I would point. I mean again, we continue to talk about our opportunity to be a better direct marketer and a more efficient marketer in that regard. And I think we'll continue to move the ball forward as it relates to those initiatives. And there's some potential cost benefits that arise from being able to become even better at the direct marketing side of the equation.

Operator

Our next question today is coming from John Ivankoe.

John William Ivankoe - *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

With JP Morgan. A couple of model questions, if I may. First, in terms of the incremental rent expense from the $455.7 million you received, how much is that, I mean, is there a rate that you're willing to give? And if possible, can you talk about the run rate reduction in D&A that you also get from that project?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, I think what we talked about before is on an annual basis, it was going to have roughly a $30 million impact for the year on the rent side of the equation and there's roughly an $8 million benefit from depreciation effect. So we closed during the first quarter so it's not exactly an even quarterly, John, but you can kind of get the sense of how the quarterly flow of that will be going forward.

John William Ivankoe - *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

And what you thought is what you got, I guess maybe...

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Very much, John, yes. Very much in line with what we were expecting.

John William Ivankoe - *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

And then I think in your press release, you have 52 locations left that's -- if I wrote that down correctly. So might come in another tranche or are you happy keeping those properties where they are?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, at this point, there could be some small one off but I'm not -- I don't see it -- one, another significant transaction or a meaningful delta as it relates to those properties.

John William Ivankoe - *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

Okay. And then finally, there's a $269 million gate fee recognized, I guess quarterly over 15 years. You guys obviously are very good at calling out your adjustments, but is that -- because of the length of the transaction or the length of the amortization, is that going to be in your reported earnings? Or your -- I know that will be in your reported earnings but is that going to be adjusted out of earnings or will that be left in earnings?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

That would be adjusted out, John. And then I think you'll see a lease accounting standard change coming down the road here pretty quick that'll have an impact on it. So in all cases, it will not be part of the adjusted earnings.

Operator

Our next question today is coming from Will Slabaugh.

William Everett Slabaugh - *Stephens Inc., Research Division - MD*

Stephens. Wanted to follow up on a question -- or a you made rather, Wyman, on the -- I believe in the comments earlier. You mentioned some opportunities around I think hitting more consistently, and especially at peak. But what's led you to that conclusion? And maybe what's the feedback been from your guests around those peak hours? And is that presenting a measurable headwind that could potentially go away down the road?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, Will, I think we track, obviously, our guests very closely to make sure we're delivering on our promises. As we've increased the traffic, especially during those busy weekend nights, Sundays, we put more pressure on the restaurants and we need to make sure that we're supporting them so that they can deliver in volume to the level of expectation that the guest has. So yes, right now I'd say there's opportunity there. I don't think it's significantly outsized what it's been, but there's probably always been opportunity there that we are now just going to go after even harder than we have before.

William Everett Slabaugh - *Stephens Inc., Research Division - MD*

Does that require additional labor as well or no?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

No, not necessarily. That's why I really kind of use this -- I talked about our systems and our focus there. Sometimes, we haven't helped our operators in those busiest times by not providing a consistent experience in terms of support. So we've got to make sure that when they're busy, we make it easy for them, support them with very smooth, little distractions, if you will. And so that's part of it and the other part is making sure that the systems that we know will make them successful in running a great weekend shift are being implemented. And so that's kind of our focus.

William Everett Slabaugh - *Stephens Inc., Research Division - MD*

Got it. And just a quick follow-up on your different markets, if I could. Did you see any geographic differences in performance between either tech surrounding markets versus the rest of the country?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, it's been an interesting couple of years now with hurricanes in and out and then the post hurricane kind of halo you get, you wrap on that. But the good news I think from where we sit, when you kind of filter a lot of that weather out is that there seems to be some really broad breadth -- broad reaching strength across markets. And so not as much regional strength or weakness as we have seen, probably with like the oil situation a couple years ago. So there seems to be a much more consistent strength across the country.

Operator

Our next question today is coming from Howard Penney.

Howard Wells Penney - *Hedgeye Risk Management LLC - MD*

Hedgeye Risk Management. Wyman, I don't think you or Joe have uttered the word "delivery" yet in this call, and certainly in your scripts I don't think you did. If you did, I missed it. So I was just curious is to-to or pickup the new delivery?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Howard, no, our focus is really right now on take-out. Like we've said on prior calls, we are definitely in the delivery business with probably I think somewhere about 50 delivery companies nationwide. So it's still a very fragmented, although there are obviously some bigger players that are coming in. We're first off focused on making sure that the delivery options, if there's going to be a big one, that it works well within the system. And right now when you walk into a restaurant, you see multiple iPads for every delivery partner. Those don't integrate very well into a restaurant system, especially a busy restaurant on a weekend night, as we talked about. So our focus right now with some of these big partners is to say hey, listen, if you're going to partner with us, you're going to have to give us an operational model that works and you have to start thinking about how you integrate with us and I think that's important. And then obviously, the whole issue around incrementality and profitability is also on the on the table and then the data around -- we obviously value our customers and the relationship we have with them. So those are other -- those are some kind of secondary issues that have to be looked at very closely as you kind of get more committed to delivery. Don't have an aversion to it, but we're going to walk into it with our eyes wide open and with partners that kind of understand our business. So that's kind of how we're addressing delivery, much more excited right now about our ability to drive convenience with take-out.

Howard Wells Penney - *Hedgeye Risk Management LLC - MD*

Can I just ask how you get at the level of incrementality, if it's possible?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

I mean we have a lot of very effective analytical models that can help us understand incrementality. So I don't think -- now I know there is some big players out there that are seeming to struggle with the actual incrementality of delivery, so I'm not saying we're like the only people that obviously analyze their business and try and kind of determine how incremental something like delivery is. But we would obviously do both qualitative and quantitative research to understand, okay, where are these guests coming from and how often are they changing their frequency if they're currently a current guest.

Operator

Our next question today is coming from Chris O'Cull.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

Stifel. I have a couple of follow-up questions. First, Wyman, has the traffic performance been more consistent when the company is on and off deals like the 3 for $10?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, this quarter, we ran that message quite a lot, pretty much the quarter. So it's -- so obviously when you have a compelling value proposition like 3 for $10, you're going to see traffic respond. And as I'd mentioned earlier, our preferable strategy is to make sure our value proposition on the base menu is compelling so that we don't have to go in and out and basically kind of whipsaw the restaurants with traffic changes that are just totally promotionally driven. So that's our focus. And absolutely, consumers respond to strong value proposition, especially when it's communicated in a very good way. I mean we appreciate the work the marketing team's been doing to kind of position not just the price but the quality and the differentiated offerings that come with the Chili's message.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

So it would be -- the reference would be that you're going to continue to promote that type of deal on a consistent basis going forward?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, we think value is critical. Again having it on the base menu, keeping it top of mind for consumers, yes, we don't see that moving away. Again it's been -- that's not necessarily a new strategy for us. We've been kind of following that strategy for the last 8 or 9 years. This is just a kind of refreshed version of it.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

Okay, fair. And then can you explain or I guess I'm assuming you guys conduct employee surveys and maybe some benchmarking studies. But can you help us understand what really drives retention at Chili's and what specific aspects of employment at Chili's make it more compelling than other chains?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Sure. Chris, just to your point, so we survey every team member in the company, typically twice a year. Every once in a while, maybe only once, but we ask every team member in the organization how they're feeling and -- about their job, about leadership, about where the brand's at. So we have -- we take it very seriously, our team member engagement and feedback, and I think that's a big part of how you keep them engaged and working with you. We also understand it's a job, and how much money they make is critical. And so we work to find that balance between efficiency for us, which also if you're a front of the house team member usually turns into higher tips for you and a higher wage. And so getting as much -- getting them to make as much money as possible is also a high priority for us and that goes across the board. We want our managers to bonus, we want our team members to have high hourly wages and be as efficient as possible so that they can make good money. And the average server at Chili's averages over $20 an hour. Those are the kind of things, I think, staying connected and making sure they're making money are the things that keep your turnover down.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

We've heard other restaurant chains talk about back of the house turnover and just difficultly in hiring back of the house, certain back of the house positions. How does Chili's compare in terms of pay for some of those roles versus their benchmark, whoever you benchmark against?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, I think we're competitive. It's a market-by-market kind of situation. You're always out there benchmarking against the competition. We have some very -- so back of the house is very interesting, right. We have -- you won't walk into a restaurant where you won't find typically a 10-year-plus back of the house team member or 2 or 3 or 4 at a Chili's. There's a lot of tenure. You tend to churn, if you will, a little bit more on some positions, the dishwasher position is a hard one sometimes to fill. And so those are a little bit more high turnover. But we have some really amazing team members in the back of the house that are long tenured and again, very important to our ability to execute.

Operator

Our next question today is coming from Peter Saleh.

Peter Mokhlis Saleh - *BTIG, LLC, Research Division - MD and Senior Restaurant Analyst*

Great, BTIG. I just wanted to come back to the conversation on takeout. I know you said it's about -- it's in the low double-digit percentage mix and growing about double digits. But how much of that do you think is a repeat usage versus trial? And how incremental is the takeout business to the overall Chili's sales?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Peter, we feel really good about the takeout business. The growth we think is significantly incremental and regardless of whether it's incremental to -- the takeout guests are going to take -- is going to opt for takeout. So if you're not getting those takeout dollars, they're going to move to somebody else who offers the takeout option. So the desire for today's consumer across the demographics to find convenience and to spend a little more time at home is undeniable. And so we are -- and we're fortunate, we've got a menu that because of the nature of our menu and the quality of our operators to execute, I think our takeout works very well. And you can tell by the percentage of guests -- or of sale that kind of flow into take-out that we've got a good offering.

Peter Mokhlis Saleh - *BTIG, LLC, Research Division - MD and Senior Restaurant Analyst*

And are you guys measuring the customer satisfaction scores for both takeout and dining? Are they kind of correlated? How do they compare?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

We do measure them. I'd say we're focused right now on making sure that our takeout experience is strong, and doing the things that we've talked about a little bit on this call with regard to high-volume weekends. We also are making sure that as we increase the volume on take-out that we're staffing it correctly. We've changed packaging, we've got systems in place and that our staffing is allocated appropriately so that as we grow that business, and we think we can grow that business significantly from where we are today, that we are setting ourselves up and our operators up for success.

Peter Mokhlis Saleh - *BTIG, LLC, Research Division - MD and Senior Restaurant Analyst*

Great. And then just my last question is coming back to the value proposition and the 3 for $10. Is there -- do you have to keep pulsing this message in consistently? Or is there a honeymoon period after which you pulse it in for a few weeks where you can stop and still see the traffic coming into the stores?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

No, again we're kind of committed to putting value proposition on the menu. And so building awareness for -- building an understanding from consumers that the strong value propositions are available. So there's not -- there's no need for this, hey, build awareness, then you take it away, then you build awareness. We're not working that model and we haven't worked that model for a while.

Operator

Our next question today is coming from Andrew Strelzik.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

BMO. Two questions for me. You've had a couple forms with the loyalty program. But as it's been growing pretty rapidly, I'm wondering how long does it take until you have enough data to more effectively leverage that loyalty customer the way you were talking about earlier? And my other question, we've heard some conflicting views on the health of the low-end more budget-conscious consumers that seems it overlaps reasonably well with Chili's and the strategy that you're employing there. So just curious of your perspective on the cohort.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

So first on the whole loyalty situation, yes, we have definitely had some learning over the last 4, 5 years on loyalty. I think we're smarter for those journeys, and right now what we've got is a really solid base, a large base of very loyal users that we have a relationship with. And again right now we're not -- we're focused a little bit more on acquisition and building into the database. And as we get a little further down into the year, we'll probably start to get more aggressive with regard to having conversations with them that are going to drive more frequency and push the database a little harder in the loyalty base. So Andrew, those are just kind of strategic decisions we make as we kind of move through the process. Overall though, as Joe mentioned, we're committed to a direct marketing approach, leveraging technology, leveraging the talent that we have in house, which is I think second to none in terms of how to have these -- how to build these databases, how to build these relationships with these guests and then how to effectively communicate to them the things that are most part to them and motivating to them. With regard to the second question, sorry, Andrew, I kind of lost it. What was it? It was...

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Sorry, it was the health of the lower-end consumer, budget-conscious consumer.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes, so the budget-oriented consumer, obviously just by the nature of kind of what puts them in that category is always kind of compelled to find value. And typically, at a price point that works for them. So obviously when we commit to putting in value price points that are some of the kind of what we think strongest in the industry, then we resonate with those folks more. And I think that's kind of our commitment. We know that the budget oriented, if you will, consumer is under pressure. They do want to eat out more, they're casual dining fans and they just have to have opportunities that fit within their budget. And we're committed to kind of giving them some good options.

Operator

Our next question today is coming from Nicole Miller.

Nicole Miller Regan - *Piper Jaffray Companies, Research Division - MD & Senior Research Analyst*

Piper Jaffray. I wanted to hear about more how you're driving the sales and traffic in the restaurant. Could you talk about how that is spread across lunch or dinner, weekday or weekend? And I'm wondering if it has anything to do with beverage incident. And then finally, wondering if that has anything to do with the remodel. So do you over index in regards to the traffic coming in the restaurant where you've remodeled?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Nicole, we're seeing improvement really across all of those areas that you just mentioned. As it relates to the reimages, I mean we're still very early on in that process. The ones we did last year in particularly in the New England area, yes, are seeing gains also on the traffic side of the equation. But I think the impact of reimage, really, from our perspective, will start to have more of an impact as we move into the third and fourth quarter of the year. One of the things that we've designed to help us move forward with this plan and frankly, deal with some of the laps that we come up against in the second half of the year. But again, we're seeing both improvement in the restaurant, at dinner and at lunch. Interestingly, as you see a greater pickup on the lunch side, and the lunch has been a little bit bigger of a pickup than dinner, that was I think the best opportunity we had based on the last couple years. That does have a small impact when you think about alcohol mix and consumption. But really across the board, we're pleased with the impact of the programs throughout the week and both dayparts.

Nicole Miller Regan - *Piper Jaffray Companies, Research Division - MD & Senior Research Analyst*

And then in terms of COGS, fairly benign inflation, but how about the distribution piece? Is there anything you see changing there? Because that's an industry that's also under intense pressure in terms of labor and sometime can create shortages of actual product delivery, drivers, et cetera. So what do you see in terms of distribution?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, again that is definitely part of the supply chain. It's part of that, when I talked about the cost environment across our supply chain, it includes that. Our team does a great job at working and developing those relationships. We're comfortable where we stand from a distribution standpoint both in the short and long term. But it will be a challenge for a lot of players in the industry going forward. And I think again it's an opportunity for us to differentiate and manage cost structures.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

And Nicole, I just think again this is where scale -- there have been a couple questions about where are you getting market share, and I think independents are going to struggle more. And again the category is 50% independent. And this is another one of those situations where if you have scale and you're dealing with distributors in a large way, then they're going to put you kind of more to the top of the list. And they're making lists now, right, because as you mentioned, they're under a lot of pressure. So I think this is just another example of where independents are going to feel the pressure a lot more than maybe some of the bigger chains.

Nicole Miller Regan - *Piper Jaffray Companies, Research Division - MD & Senior Research Analyst*

Yes, absolutely agree, and it's an important point on scale. Last question, could you carve out the percentage of marketing in the quarter? And then will it be a fairly, I guess, do we want to say even year-over-year cadence go going forward? And just kind of curious about your split between digital versus TV these days and how you're really measuring those returns.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Nicole, we usually don't split it out. We accrue evenly pretty much unless we make a change. So it's -- that the accrual is kind of set. I think as you identified, we have a very diverse marketing plan. I mean we're using all of the channels, if you will, to market to our guests, to potential guests. The traditional media inflation world around TV has us scrutinizing that aspect of the marketing budget, if you will, I'd say intensely. The 7%, 8%, kind of looks like never-ending chain of inflation that they get for television advertising. In a world that we're trying to keep our pricing strategies in the 1% to 2% range, does continue to put a lot of pressure on that part of the budget. So we're very aggressively looking at how does digital and social play out relative to other and where are we getting the most bang for our buck from a marketing expenditure perspective. I'll just leave it at that but it's -- we're aggressively looking at how do we play -- how do we get the marketing dollars to deliver the biggest return.

Operator

Our next question today is coming from Brian Vaccaro.

Brian Michael Vaccaro - *Raymond James & Associates, Inc., Research Division - VP*

Raymond James. Just a few clarifications on the margin question. On pricing specifically, I think there was about 130 basis point negative impact of comp expense that offset that underlying pricing you called out. And I think it ticked up a little bit versus the 90 bps in the fourth quarter of last year. I might be wrong but I thought last quarter you said you expected that comp expense to sort of dissipate going forward. So could you give some color on what drove that headwind intensifying and how we should think about net pricing over the next few quarters?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, Brian, let me give you some clarification on that because it wasn't really a negative delta in that regard. What we talked about last time was 100 basis points of comp expense that we specifically applied in that fourth quarter to reinvigorate and reactivate the loyalty program. There was additional comp expense underlying that, but it was an incremental 100% that we wouldn't have necessarily been using on an ongoing basis. So it's an apples to oranges comparison to looking at that number versus the 130 that you're accurate with. I think again we have an opportunity as we move forward, one, to work through the year-over-year lapse of our use of comp expense and that will happen as we move into the back part of this fiscal year. But we are not utilizing that same level of loyalty activation comp expense that we specifically talked about in fourth quarter.

Brian Michael Vaccaro - *Raymond James & Associates, Inc., Research Division - VP*

Okay. All right. I'll follow up more on that offline. And on the labor line specifically, Joe, could you quantify the pressure you saw on insurance in the quarter? And then I thought bonuses were expected to be up at both the store level and the corporate level versus sort of depressed levels last year in the first half of fiscal '19. Did that occur this quarter, both labor and G&A?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, and again, when we talked about bonus and incentive compensation guides for the year, that was obviously an annual, so don't typically get into first, second, third, fourth quarter lapse in that regard. Sales, profits and guest metrics all feed into those calculations. So there can be some variability as you kind of move through the year in that regard. The health insurance piece of the equation was roughly a 20 basis point drag in this quarter. Obviously, from a health insurance standpoint, it's based on your actual experience as to what you're seeing from the claims side of the equation. So at any one given quarter, you might have an anomaly based on what that actual experience is and that was, in this quarter, was about a 20 basis point drag.

Brian Michael Vaccaro - *Raymond James & Associates, Inc., Research Division - VP*

Understood. And then just last one. On the other OpEx line, I think the change based on your disclosure was about 70 bps in the quarter, which would imply sale leaseback rents of about 70 as well. Can you confirm that, that math is correct? And then I think about that margin differential, I think you said R&M was higher in the quarter, so is there something else that would be down or maybe that other item that was down year-on-year was the ad expense line?

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

You're right in the right ballpark as it relates to those first 2, R&M expense was up year-over-year. Again, that's one of those you can have quarterly fluctuations within that line. That was one of -- there's a number of other things, I think I referenced the benefit moving out of the loyalty year-over-year. We're still lapping that, but there's several ups and downs and other line items. But those are the biggest ones and you've got the deltas right on them.

Operator

Our final question today is coming from Jon Tower.

Jon Michael Tower - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

This is Jon, sorry, Wells Fargo. Just hammering home the traffic piece and going back to the comments you made really to open up the Q&A. I believe you mentioned that Chili's is picking up traffic from a broader spectrum of concepts, and to me that implies that you're drawing in new customers. But are you also seeing an increase in frequency from existing customers? And if you are seeing an increase in frequency, when these customers are coming back to the stores, are they moving around the menu, trading up, maybe using different dayparts? Or are they going back to what originally drove them back into the stores?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Jon, I don't know if I can give you all that level of detail on how they're moving within the menu. But obviously with the offers that we've got and the compelling takeout proposition that we have and the ease with which they can take out, we're seeing growth across all categories. So some frequency improvements with our more loyal guests as well as some increases in lighter new guests. So it's a broad -- the traffic growth is coming from kind of a broader swath of consumers. And that's -- we think that's a good thing. Exactly what -- who's going where and where they're trading from, that's a level of detail that probably just not going to share right now.

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Yes, and one thing, Jon, I would add, is the investments we've made back into the business, be it food, be it the to-go operations, the value propositions, are working across all -- both dayparts and throughout the week. So we've created opportunities I think for guests, both new and loyal to find more compelling reasons to come in at different times, too. So that's -- I think that's helping as we move forward too.

Mika Ware - *Brinker International, Inc. - VP of Finance & IR*

All right, thank you. So thank you, everyone, for your participation and joining us today and we look forward to talking to you next time.

Joseph G. Taylor - *Brinker International, Inc. - Senior VP & CFO*

Great. Thanks, everybody.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Have a good day.

Mika Ware - *Brinker International, Inc. - VP of Finance & IR*

Goodbye.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.