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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Q1 F '20 earnings call. (Operator Instructions) It is now my pleasure to turn the floor over to your host, Mika Ware. Ma'am, the floor is yours.

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

Thank you, Paul, and good morning, everyone. Welcome to the Earnings Call for Brinker International's First Quarter of Fiscal Year 2020. With me on today's call are Wyman Roberts, Chief Executive Officer and President; 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 usual, 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, it is my job to 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 the 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 risks and uncertainties include factors more completely 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*

All right. Thanks, Mika. Hey. Good morning, everyone, and thank you for joining us. Fiscal '20 is off to a solid start for Brinker, right in line with our expectations for the year. Total revenues for the quarter were $786 million, a year-over-year increase of 4.3%. Comp sales were positive 2.3% with adjusted net earnings per share of $0.41. These results were primarily driven by another quarter of differentiated execution in Chili's with comp sales up 2.9% marking our sixth consecutive quarter of positive comps. So we're well into our lap. We've seen these trends continue into October. And we're pleased with our performance across the country, and we drove particularly strong regional performance in the critical markets of California, Texas and New England.

From a traffic perspective, we ended the quarter flat. We were relatively soft early in the quarter like the rest of the industry, but we saw sequential improvement throughout the quarter and in September with positive traffic. And during the quarter, we drove more than a 300 basis points gap to the category in both sales and traffic, our fifth consecutive sales beat and seventh consecutive traffic beat. And as we head into our higher-volume quarters, we're more than confident that we have plenty of momentum to deliver the sales and earnings growth we've outlined for the year.

The performance we're delivering today is a direct result of the relentless focus on the strategy we laid out for you nearly 2 years ago: to deliver best-in-class operational execution; to leverage our scale; to offer compelling everyday value; and to leverage our digital expertise to offer convenience the way our guests wanted, primarily through takeout and delivery. Best-in-class, as an operations team, we're more aligned ever around our core operating systems and a focused set of metrics that pinpoint where we're performing well and reveal our opportunities.

I feel good about the progress we've made as we watch guest metrics rise to an all-time high again. And I feel even better about the path forward because it's clear there's room to take operations from a good place to a great place. As our operational playbook remains focused and consistent, the team now knows how to win, and all-time highs are no longer good enough. They are ready to raise their own bar and see just how high they can take our guest satisfaction.

We're also raising the bar in our ability to deliver new quality food with bold flavor profiles, while maintaining our commitment to keep our operations simple. For example, we just rolled out a new improved chicken product. We're now pounding chicken breast in-house and hand-breading them to order, which creates a much higher quality product. And we're leveraging this on all our menu items that feature a crispy chicken breast. And we're introducing awesome new chicken sandwich that we call Chicky Chicky Bleu.

So we didn't do a broad menu launch that adds complexity for operators and confusion for guests. Instead, we have created the quality of a key product and introduced one bold new menu item to keep consumers engaged and drive frequency. We'll continue to leverage this balanced innovation strategy that brings new news, improves the quality of our food at a pace our operators can execute with excellence. But the primary driver of our first quarter results came from our strategy to offer convenience the way our guests wanted and our ability to leverage the strength of our technology platforms to meet their expectations.

First quarter marked our eighth consecutive quarter of positive takeout growth, and we continue to see upside for this segment of the business. Our delivery business also achieved a tremendous start during the first quarter with just one channel turned on. We're bringing to bear the digital expertise we've been methodically building over the past couple of years, and it's a significant differentiator for us. Currently, 2/3 of our off-premise sales are coming through digital channels, which makes it operationally more efficient and provides data for future marketing efforts.

Delivery is a powerful channel for our category. The players who do it right open the door to a drastically larger number of meal experiences and greater guest frequency. At this point, all of our metrics say we're performing really well as a delivery option. We're executing at a high level, and the breadth of our menu mix and strong value positioning made Chili's a compelling delivery choice. And we're just getting started. We're working hard to optimize profitability through alternative packaging and new staffing models, while we test additional initiatives to leverage the long runway for growth we see in this segment.

Around the world, our partners continue to grow the Chili's brand. They opened 11 Chili's restaurants during the first quarter, and we see these growth trends continuing. The ongoing demand for the Chili's brand internationally is a great testament to the belief our partners have in the strength of the brand as well as the business. And here at home, we closed our acquisition of 116 restaurants in the Midwest, and we're excited to welcome these team members and their communities into the Brinker family. We've deployed a strong leadership support team for these restaurants to accelerate their transition into our system and leverage the upside of the existing team.

We feel good about the earnings potential these additional restaurants add to our business. I'm just as confident today, if not more so, than when I was when I introduced our strategy to you nearly 2 years ago. We continue to deliver consistent results and outperform the industry. We've created a solid foundation that can withstand this challenging environment, and we've got a clear line of sight to ongoing returns for our shareholders.

And now, I'll turn the call over to Joe to give you more details. Joe?

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

Thanks, Wyman, and good morning, everyone. Let me start my quarterly overview with a couple of key insights underlying the success of our results reported this morning. First, the solid performance of our first quarter positions us very well as we move to the balance of the fiscal year to deliver the goals we outlined during our last call. And second, at Chili's, sales and traffic momentum built through the quarter as our operators continue to execute at a level that is differentiating the brand in the eyes of the guest providing the value and dining experiences warranting their time and dollars. This day-over-day execution is growing sales, effectively managing the middle of the P&L and generating meaningful cash flows in support of our investment and capital allocation strategies.

As reported in this morning's press release, first quarter adjusted earnings per share came in at $0.41, in line with our expectations for the quarter. As we previously indicated, the quarter was impacted by incremental stock comp expense when compared to prior year as certain executives are now retirement-eligible under our plans. As such, we are required to take the total expense for these grants made to these executives immediately instead of over divesting period. Our stock-based grants are made in the first quarter every year. This incremental expense of $3.5 million negatively impacted EPS by $0.08 for the quarter but will subsequently reduce the year-over-year impact of this expense in our remaining quarters.

At the top of the P&L, total revenues in the first quarter were $786 million, a 4.3% increase versus the prior year. This is driven by comp sales growth for Brinker of 2.3% and the additional capacity from the restaurants acquired from our former franchise partner in early September. While these Midwest region restaurants only impacted the last 3 weeks of the quarter, this starts a nice level of capacity growth that will continue the rest of the fiscal year. We expect these newly owned restaurants will record approximately $250 million to company sales in the current fiscal year.

Off-premise sales growth was the primary driver of overall comp sales performance with a year-over-year growth rate in excess of 25%. Off-premise sales, both to-go and delivery, now represent approximately 15% of total sales. At the brand level, Chili's continued its top line momentum reporting quarterly net comp sales of 2.9%, lapping a solid positive 2% in the prior year and gapping the casual dining industry by close to 4%. Traffic was flat for the quarter, which is positive to the industry by over 300 basis points.

From a regional perspective, the brand was strong across the country and gapped the casual dining segment in every region. Maggiano's first quarter results were below our expectations with net comp sales of negative 1.8%. The brand utilized fewer marketing resources in this quarter to offset industry sales softness and had a greater short-term impact from the migration to our exclusive delivery contract with DoorDash.

Our restaurant operating margin for the quarter was 11%, in line with our quarterly and full year expectations. Within the operating margin performance, cost of sales experienced a year-over-year net inflation of approximately 30 basis points. Produce was the main driver of the increase, primarily due to near-term increases in avocados and tomatoes. Overall, the commodity market is behaving as expected with lower levels of inflation working into the system. That being said, we've established higher levels of commodity contracting to protect against volatility for key products.

We are now 95% contracted across our commodity basket for the current quarter and 78% contracted through the end of the fiscal year. As it relates to various proteins, we are 86% contracted for the remainder of the fiscal year.

Restaurant labor was flat year-over-year, driven by sales leverage and lower employee health costs. Wage rates continue as the primary inflationary headwind in the manageable 3.5% range for the quarter. Improved year-over-year operating performance also increased our Chili's manager bonus payout, an incremental $0.04 quarterly EPS cost we are pleased to incur. Restaurant expenses for the quarter were favorable 20 basis points compared to the prior year. We have started to see the benefits of leverage from top line growth. Increased rent from our sale-leaseback transaction, higher to-go packaging costs and third-party delivery fees were offset by leverage and the effective management of other expense categories.

Now that the Midwest franchise acquisition is complete, our restaurant operating margin will benefit from the additional sales leverage provided by these restaurants over the course of our 3 remaining quarters. As I mentioned earlier, the quarter demonstrated the cash-generating capabilities of the brand with good year-over-year growth in our key cash flow metrics. Operating cash flow for the quarter was almost $87 million, while free cash flow grew significantly to just over $66 million, meaningfully strengthening our ability to deliver our forecasted annual level of free cash flow.

Adjusted leverage at quarter end increased approximately 20 basis points due to the incremental debt associated with the closing of the franchise acquisition. Adjusted leverage totaled 4.15x, which is expected to be the high point for the year. We plan to reduce our adjusted debt metric from operational cash flows as we move through the year with a year-end leverage target of 4.0x. Effective this quarter, we adopted ASC 842, the new lease accounting standard. As a result, we now recognize operating leases on the balance sheet based on the present value of lease payments over the lease term. You can find more details regarding this accounting change in this morning's press release and in the soon to be filed 10-Q. Overall, the impact of the lease accounting standard on our results of operations and cash flows is not significant.

In summary, I'm very pleased with the start to our fiscal year and our continued focus on delivering quality, value and convenience for our guests. As we move through the year, these efforts should differentiate our brand's performance with the expectation of continued market share gains, positive top line growth, effective P&L management and achievements of our goals for the year.

With our comments now complete, let's open the call for your questions. Paul, I'm going to turn it back over to you to facilitate.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question is coming from Jeff Farmer.

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

Yes, Gordon Haskett. Earlier in the call, you commented that trends continued in October. Just curious if you could provide some incremental detail on that.

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

Jeff, yes, I mean, no more detail than that. We tend to not do a whole lot in-quarter, as you know. But the trends that we've laid out in the first quarter are pretty much in line with what we're experiencing here in October. That's about as deep as we're going to go. So -- but, again, also a good start in the second quarter.

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

One more question then. So I appreciate that it's only been a month since delivery functionality went live in the Chili's mobile app, but what percent of your delivery sales mix is coming from the Chili's app and website versus the DoorDash marketplace? And where do you think that can trend in coming quarters?

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

Yes. We're probably not going to give that level of detail. It's early, as you said, Jeff, on kind of all of our kind of convenience initiatives, as we call them, whether they're to-go, delivery, partners and then independent -- the stuff we're doing on our own. So I think we're going to kind of play that out here over the next little while. We'll probably give you more insight as we get past some of the testing stages and get a better sense for what's probably more ongoing. But we're very pleased with the overall results we've experienced both with third-party as well as our own takeout and delivery initiatives today. And we're really excited about what we've got to come.

Operator

And the next question is coming from Stephen Anderson.

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

Yes, with Maxim Group. I wanted to follow up on your comments on food commodity cost. Now in the last few quarters, we've talked about the potential impact from the swine flu coming out of China. Just wanted to see if you have any additional follow-up comments from that. And whether you've changed your overall commodity cost outlook?

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

No. Stephen, we haven't changed anything from a commodity outlook standpoint. Again, as we indicated before and we continue to believe, we'll see a low level, put it in the 1%, 2% range, kind of commodity inflation as we move throughout the year. Frankly, most of that is based more on the low points of where commodity pricing was coming off the last 3 years than it is on ASF. We're watching that very closely. As I indicated, we've taken -- we're ahead of where we typically are at this point from a contracting standpoint, particularly as it relates to our proteins. We want to make sure to every extent that we can that we're eliminating potential volatility from the equation. So airing on that side. Obviously, there are couple segments of the complex, ground beef being one of them, that is not a long-term contractional market. But we're very comfortable still with what we're seeing in those areas, too. So pretty much right on course with what we expected it to be and incrementally protected on the downside, if that would develop.

Operator

The next question is coming from Brian Vaccaro.

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

Raymond James. Just on that commodity contract, Joe, appreciate the color you gave through the end of fiscal '20. Just curious, have you made any progress or tried extending even further some of those contracts, particularly around the proteins, maybe to cover you into the back half of calendar '20 at this point?

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

Without getting into great detail, we have. We are looking at some of those term contracts, and we have taken some steps as it relates particularly to some of the proteins to go out through the -- well into calendar F '20 and some of those to the course of the end of calendar F '20. So again, it's an environment that we want to maintain certainty as we can for our operators. So yes, we're looking at that, and we'll continue to look at that.

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

Okay. And then, Wyman, you alluded to some opportunities that you saw to improve operations further. Could you elaborate on that? And then also just give an update on the timing of the rolling of the handhelds or just any other key operations initiatives you see in fiscal '20?

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

Brian, well, I mean, I think that what I was referring to is just as we lock down the systems that the operators are focused on and really stay focused on some of the fundamentals, it just allows us to kind of pinpoint, if you will, where there are challenges, both from the system side but also from an operations side, and that's where we put our energy and our support. We're seeing tremendous results. Really, our operatives have done an amazing job delivering a better guest experience. As I mentioned, our guest satisfaction levels are not just creeping over all-time highs. They're really significantly better than we've ever seen, and that bodes well, we know, for future visitations. So that's kind of what I was referencing when I talked about the opportunity to get operations even better than they're doing today, which is really a nice job. With regard to the initiatives, some of it we laid out probably more at the conference or at the Analyst Day, we're moving forward on a couple of those technology fronts. New tabletop devices are looking to be rolled out here third quarter. The handhelds are continuing to evolve. We'll have more to share on that probably in the third and fourth quarter, but we feel good about the progress we're making on the technology front across a lot of different initiatives, those 2 examples as well as the leverage on our CRM as well as the work we're doing to leverage digital in the convenience avenues.

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

Okay. And then just two on the model real quick, Joe. That shift in the timing of stock-based comp, does that show up in an outsized way in any specific quarter rest of fiscal '20 or will that be layered in through the next few quarters?

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

No. The only outsized is this quarter in the G&A side of the equation. So yes, you make -- you have -- you make up for it over the life of the rest of those grants, which are kind of multiyear. And so you don't see it in an outsized, but it's a slight benefit to the second, third and fourth quarters.

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

Okay. And then as it relates to depreciation, D&A line for the year, there's quite a wide range of estimate it seems on The Street. Would you be willing to tighten that up just to make sure we're on the same page of what's embedded in your fiscal '20 guidance on D&A?

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

Yes. And I think right now, we're sticking with the guidance that we provided for you on that regard. Obviously, we're layering in the Midwest region as part of that year-over-year delta, plus some of the normal changes we're seeing due to our development and reimage program, things of that nature. So not a lot of incremental specificity there, but I do expect it be up probably -- yes -- I would expect it to be probably in the high single millions, in that $5 million to $8 million range as we kind of move throughout the year.

Operator

And the next question is coming from Gregory Francfort.

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

It's Greg Francfort from Bank of America. Maybe just 2 questions, the first for Wyman -- actually maybe both for Wyman. But just on guest metrics, you alluded to kind of earlier in the prepared remarks kind of you're seeing stronger performance. Can you maybe flush out a little bit about what you're seeing, what you're pointing to there? And then just on delivery, I know you guys don't want to get into a lot of the details on mix or percent of sales, but can you talk about how customers are using delivery right now? And kind of in early learnings from that launch, if there's any daypart mix or sort of focus? And how customers are using the Chili's brand for delivery right now?

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

Sure. Greg, well, obviously, we look at a lot of different metrics but we're very focused with our operators on several key in-restaurant metrics that we get from our guests. And we have a real robust survey size with almost 20% of our guests giving us feedback every day. And the movement is across-the-board. It's on food. It's on service. It's on the number of guest that are experiencing any kind of a difficulty, pretty broad-based improvement. Our value scores are reaching -- or have reached all-time highs as well. So we feel really good about the experience they're getting and the value they see in that experience. We also focus on external metrics. We have some proprietary tracking that we do relative to the industry, but we also look at social scores and what the social environment is kind of saying about us. And those metrics have also moved up nicely in conjunction with what we're seeing in restaurants. So kind of tracking several different ways, and every way we look at it we feel pretty good about the trajectory that the operations team has been delivering over the last year and then continue to move on. With regard to how delivery is being used, it's pretty broad-based. We're seeing it across the country, some pockets a little bit more as you would expect than others, especially with an exclusive partnership. But the usage are during the dayparts, primarily dinner, but still strong at lunch. And again, we see opportunities. And what we're excited about now is we're just starting this journey, right. So -- and with all the data that we have and our partner has and how we share it and what we can do with that to make this business grow and be more effective at really marketing to the delivery consumer, we're just excited about what we can do as we go forward. I hope that covers what you were looking for.

Operator

And the next question is coming from Chris O'Cull.

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

It's Stifel. Wyman, the consolidated comp sales for the quarter were lower than the full year guided range. So are you still comfortable with that range? And what opportunities do you see to improve Maggiano's performance given the industry appears to remain weak?

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

Yes. No, we're in the ballpark at kind of the top end of our guidance in terms of comp sales. So we feel comfortable with the guidance we've given, I'm not sure -- at close to 3% at Chili's. We're very comfortable that we've got the guidance number in hand. With regard to Maggiano's, it was a little tougher quarter. There was some headwind, as Joe mentioned. And we went from multiple third-party deliverers at Maggiano's, and the business has been developed for really many years to just a single partner. They took a little bit of a -- there was some headwind there for them, that we're quickly kind of moving through with our partner. And now, it's probably one of biggest things that they're challenged with. Maggiano's, it's all about the holiday season. It's all about what happens here in this outsized quarter coming. And they feel good about the work they're doing to drive traffic within their restaurants by becoming more focused on the business on the weekend and being especially efficient really pushing their catering and their banquet business out even more aggressively as they market that into their communities. So there's a lot of things going on that are going to drive the business into the critical holiday season for them. And then we've got some longer-term things that we're doing to help the brand kind of stay fresh and compete in really a pretty challenging, upscale casual environment. So overall, we feel good about the work that's going on at Maggiano's. A little tougher quarter, but feel pretty good about what they're walking into as they head towards the holidays

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

Yes. Chris, again, I'd -- and, Chris, I'd just add a little context on your question about the comp. One, yes, we're very comfortable with where that comp has set us up for the rest of the year. We don't dwell on this. But for context, I'll give it to you. I mean there was a 20 basis point impact at the Brinker level from weather also. So again, we performed very well throughout the quarter despite that but just to give you some context as to how that was impacted.

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

Yes, and it was actually a little bit harder hit at Maggiano's.

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

At Maggiano's, right.

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

They took a little bit of a bigger hit on the weather front just based on their locations.

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

Just to make sure I'm clear. The guidance for comps, the 1.75% to 2.5%, that's for Chili's only, not for the consolidated group?

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

No. That's the Brinker forecast.

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

Yes.

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

Okay, okay. And then Wyman, I apologize if I missed this. But now that Chili's digital platform is offering delivery, when do you expect to start advertising the service more aggressively?

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

Well, we're already out there, Chris, talking about delivery on our platform, both in national advertising as well as through the various digital channels that we use. So we're out there today.

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

Are you seeing mix shift or stronger performance on the digital platform at Chili's than you are from the -- I mean is the mix in line with what you were hoping for in terms of usage of the digital platform at Chili's?

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

Yes. Again, we're probably going to not get too detailed on all the specifics, but we're pleased with what's going on within both the third-party aspect of delivery as well as what we call white label, on our own website.

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

Okay. And then just lastly, Joe, I know there are several items that affected comparability during quarter, and I know you provided some details on that, but could you remind us what the incremental sale-leaseback impact was for the quarter?

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

Yes. Last year, we took a gain -- a net gain -- a gain minus transaction cost of a little over $13 million in the first quarter, if you're looking at the reported numbers. Obviously, we dialed that out from an adjusted standpoint. That's the biggest one. Then you have obviously what I've talked about from a stock comp standpoint, and you have incremental rent from the sale-leaseback of about $4 million. So this is the last quarter that you get that year-over-year lap of incremental rent, and it impacted us about $4 million from that specific item this year.

Operator

And the next question is coming from David Palmer.

David Sterling Palmer - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

Evercore ISI. A question on the comps. What -- the company same-store sales trend, they were much higher than the franchise. You mentioned a few regions that were stronger. Was it because of that and the weather you mentioned? Or is there other factors that we should think about that created that gap?

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

Yes, there's a couple of things. Obviously, there's regionality. The pickup on delivery isn't the same across every market, and where people are at in the process isn't the same. The leverage on our CRM -- our

Chili's rewards program doesn't kind of play out equally, if you will, in every market with every franchise partner. So there are different variables that come into play. Over time, you'll -- if you kind of study it, you see we tend to kind of -- we may have a quarter here or there where the franchise community is a little further out, but over time it tends to kind of even out, and we all tend to move into the same space. It may be a little more volatile now that were -- we've reduced the size of our franchise world.

David Sterling Palmer - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

And Joe, I wanted to ask you on the initial guidance you gave for fiscal '20 that you guys did better than that on the labor side and slightly worse on the COGS side. Are they -- are the restaurant-level margin guidance ranges still intact? Or are there things that might change the trend from here, delivery launch cost, the ERJ acquisition? I'm just trying to think about how things will play out from here.

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

No. I think the guidance we've provided for restaurant operating margin is still very much intact. We've guided flat to down 20%. I think we're down 10% year-over-year in this quarter. So I mean right in line with that. We have the benefit coming from the top line leverage of the acquisition that will really now start to play into -- was marginal in the first quarter because it's only a couple weeks. It starts to play at a much heavier rate. I think some of the commodity inflation we saw this last quarter can be more episodic. Anytime you're dealing with produce, you get a little more volatility there. So you can't -- you shouldn't assume that's a run rate kind of going forward. So we're comfortable really across all of those lines from the way the operators are managing the middle of the P&L, where we see exposures within the commodity market that we've locked down from a contracting standpoint and the continued top line growth we're expecting in the leverageability it brings. So it's comfortable. There's always going to be puts and takes throughout the middle of that P&L, but we have great line of sight on how to manage this puts and takes as we go forward.

Operator

And the next question is coming from Will Slabaugh.

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

Stephens. I had a question on the 3 for $10. We didn't hear a lot on the call about the platform, and I'm assuming it's still mixing well. So I was wondering if you would comment about that versus what you said -- sorry, what you had been saying previously and how you think menu innovation going forward is going to work into that this year?

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

Well, it's a great question. 3 for $10 is absolutely doing what it's been targeted to do and continuing to perform very well, consistent in terms of mix as we've seen. We've mentioned before it's not a current offer in delivery -- third-party delivery. So that's kind of an interesting twist, if you will, to how we market and leverage 3 for $10 in the various channels. With regard to innovation, again, we haven't done a whole lot from an innovation perspective over the last couple of quarters, but that doesn't mean we haven't been working hard at it. The culinary team and the marketing team have done a great job. We're in test with some very exciting ideas that will come forward here in the back half of the year that will -- that could play on 3 for $10, could be stand-alone. But we see a real opportunity in the future to come back and leverage innovation in a more aggressive way. Right now, we're, obviously, a little more focused on some of the convenience aspects of driving the business, but we'll be layering in just some innovation in the near future.

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

And Will, let me jump on top of that also with pointing out one of the things I think you saw there in the release was the 60 basis points of positive mix. And I think that's indicative now. We've talked about this, and now we're starting to realize it. We're getting -- we're now through the lap of really the aggressive introduction of 3 for $10 that had the mix implications last year. And so now that you're more into a steady state, great foundation and results coming out of 3 for $10, but now you can start to see the work we're doing around other opportunities within the mix category that can give us that -- as we've always thought, that slight benefit that we look for on a quarter-over-quarter basis. So this last year -- this last quarter, some nice PPA results coming out of add-ons, coming out of apps, coming out of the alcohol program. So those are the kinds of things that I think you'll see more front and center now that we're into kind of a run rate as it relates to 3 for $10.

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

Got it. That's helpful. And then I had a question on the margins, Joe. It looks like -- I know you had some moving pieces going on in the quarter but it looks like they are only about 10 basis points, so call it roughly flattish year-over-year. Is that how you would look at that? And is it -- I guess the margin side of things trending along about how you thought it would at the start of the year?

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

Yes and again, assuming restaurant operating margin, yes, very much so. So that 10 basis point difference, again, there's some episodic things in COGS, but really across that line there marched pretty much how we would expect to see it go.

Operator

And the next question is coming from John Ivankoe.

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

With JPMorgan. I wanted to get back to some of the comp commentary. Wyman, you were I think unusually specific kind of talking about the September quarter in terms of how things trended with July being your weak month, September actually ending with positive traffic, which is important, obviously. And It sounds like -- and I don't want to put words in your mouth, did that positive traffic continue in October? Do you view the second quarter a more difficult comparison than the first, which just looking at simple math it kind of would? And when we kind of think about the second quarter comparisons and the different moving pieces that you have, should we expect just a nominal result, similar to the first quarter? My comparisons for any number of reasons, we believe that to be a little bit lower or higher.

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

John, well, I don't know if I'll get as detailed as that, but I'll just say, yes, we wanted to give a little more color into the first quarter just because of some of the industry trends and some of the concerns I think people were having as they kind of watch some of the broader industry metrics. And we kind of experienced some of that -- those same trends, obviously, from a much higher position as we outperformed the category. But we did end in solid place with positive traffic and strong sales, and we continue to see positive traffic and saw sales into October. So that was the message we wanted to share there. With regard to the second quarter, we don't see a whole lot of additional headwind. This was kind of the question that was posed to us over several quarters ago as well. What's going to happen when you lap? Well, we've lapped, and now we're pretty much into that lap, and we don't anticipate significant changes in our ability to continue to perform in the rate we performed in the first quarter. There's some strange things that happened in the quarter with regard to timing of holidays, but they're all within the quarter. So we'll see some things on our own month-to-month, but I think within a quarter it should be relatively clean.

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

Okay. So in other words, nothing that really jumps out to you in November and December? And so the comparisons, even if they look optically harder, they're not necessarily optically harder?

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

Not as we look at it.

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

Okay. All right, that's important. And then, secondly, obviously, there was a tremendous amount of attention at the Analyst Day focused on DoorDash. You guys kind of remaining in the carousel, maybe even getting some advertising from them in terms of -- they try to build out their own platform. If you could just remind me what the status of that is, and if there's anything upcoming from their end that could drive the Chili's brand going forward?

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

Yes, again, won't get too specific, but I'll just say the partnership is one we are very pleased with. It's early stage, but we like the work that's being done on their side to support the brand, and we're comfortable with that, both brands actually. And they're working hard now. We were testing with DoorDash primarily with Chili's, and the integration with Chili's was done pretty much the day we went live. Maggiano's has just now integrated their system into the DoorDash system. So it's been a little bit of a lag there, and they've done a nice job partnering with us to get the technology fixes in place to get Maggiano's to the same place. And now, we continue to partner with them on various different marketing aspects and initiatives as we move forward. So we'll continue to leverage the partnership both to drive our business as well as do what we can to help support the DoorDash business.

Operator

The next question is coming from Nicole Miller.

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

Piper Jaffray. I wanted to go back to one of your earlier comments around packaging. I thought that was interesting. If you could circle back to the ability to drive the cost down for delivery in terms of packaging, what does that look like? And then how about the ability to even improve just delivery overall in terms of the way the food is prepared or delivered in terms of hot and the way it looks, et cetera?

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

Nicole, yes, great, great catch there. We did want to mention that, again, this is kind of a new -- we've been doing takeout forever. But as the business becomes a bigger and bigger part of our business, these are aspects that we don't -- we haven't necessarily put as much energy and focus on as you would if you were in QSR, right? But now we're looking much more closely at, how do we package? What is the packaging? How effective is the packaging? What are the costs of the packaging? How do we leverage that across the business? And again, we're just getting smart as we get more experience with this business. And it's both -- on both fronts, on the cost side as well as on the -- how well we deliver, no pun intended, what's exactly happening with the guest experience. All of our metrics today say we're doing fine, but we always want to do better. And so we're consistently looking at, okay, where are the opportunities to deliver better guest experience and to do it for a lower cost?

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

How far out, just out of curiosity, is that opportunity? I mean is this something we get a lot ordered personally. If we keep up with that, are we going to see that in the next quarter? Is it the end of the fiscal year? Like how soon can you bring that packaging element to market?

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

Yes. I think there's -- obviously, we're big company that has some lead times associated with making change, but we pride ourselves on doing things relatively quickly. And so we anticipate by the second half, we'll be able to put some changes in place. Some of them, I don't think you'll even notice as a consumer. But they may have some efficiency place for us, just depending on how we buy and how we -- some of the things we do in-house and how we leverage our scale to be more efficient. And then with regard to -- where we're seeing challenges with the guest experience, we deal with those immediately. We're working in measuring the guest satisfaction level on our in-restaurant and our takeout experience on a daily basis. And where we have opportunities, our operators are jumping on that in real time.

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

And then just a final question. On Maggiano's, there's been a good discussion now around some of the nuances of why that comp was down. But I still wanted to ask this question to the degree that, that is a slightly higher end consumer. And curious if that's a leading indicator of any overall big picture softness and/or what to expect for the holiday season? I mean, you've addressed a little bit of both, but maybe just to fine tune that. Is there any worry we should have about looking at the Maggiano's comp and then worrying about a higher-end consumer for the holiday period?

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

I'll kind of take them separately. I think the higher-end consumer and if you look at some of the upscale casual and fine, it looks like there's a little bit more headwind there than they've seen in the past. Whether that's just tougher laps or whether that's some pressure as you mentioned on the higher-end consumer, it's not drastic. It's not a dramatic issue, but it's definitely -- looks like there may be a little more headwind there. With regard to the holiday season, things are looking -- we're out booking already, and their initial booking rate looks good. The team is excited and aggressively out making sure that Maggiano's has another great holiday season. So we're very optimistic about how they'll perform in the holidays, which, again, I think the overall environment I think would bode well for another good holiday season. I mean, again, there's some concern, but overall unemployment, where it's at, household inventories, where it's at, I think we're going to see people out wanting to celebrate the holidays this year.

Operator

And the next question is coming from Jeffrey Bernstein.

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

Calling from Barclays. Two questions. Just one, Joe, on the labor line. We're quite impressed to see you're able to hold that flat as a percentage of sales. I know you talk about maybe 50 basis points of deleverage for the year. Just wondering what you attribute maybe the biggest driver allowing you to hold that line. Whether there's any change in turnover or perhaps you're seeing greater efficiency. We've heard a couple of your peers talk about that recently, especially as you're seeing 3.5% inflation the ability to hold that line has been a pleasant surprise. I'm just wondering if there are any big initiatives that are really helping to support that. And then I had one follow up.

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

Yes. I think the biggest initiative is really just the ongoing execution in the muscle memory that the operators are bringing to the equation. We've talked about simplifying things in the past, and I know there is always a lot of discussion around the menu. It's just as important as keeping things straightforward and as simplified as possible within the restaurant operations side, and we've done a very effective job. So we see better utilization against our labor models. Again, the operators are -- delivered for several periods now against our expectations on labor and utilizing those tools and those models. So that has played well. We are seeing turnover rates, particularly on the managerial side of the equation, come down in that environment as the brand has performed well. I think that is contributing to the process. We've talked in the past on the CSL side of the equation and some of the benefits we're continuing to accrue from that and then the top line volumes. I mean, again, there are still even within labor some leverageability opportunities, and that was a nice play within this quarter helping offset again some of the just ongoing wage rate inflationary factors that are out there. So labor is something you have to work aggressively every day, and we got the teams really focused on that right now.

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

All right. And then maybe just, Wyman, you mentioned at the end of your prepared remarks how you were pleased in that challenging environment. Just wondering if you could maybe contextualize that. What's specifically in terms of challenging environment whether you're talking about Chili's or the industry? It seems like from a Chili's perspective, you made it clear you have comp momentum. You have a low single-digit commodity inflation. Labor seems like you're managing quite well. So I was just wondering when you talk about challenging environment a lot of your peers talk about that as well. Is there anything in particular that you'd call out at this point, and whether it's Chili's specific or maybe for the broader industry as all things seem to be going well on your end?

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

Yes. No, definitely more industry than Chili's-specific. Just we're a little surprised, frankly, that given the macroeconomic trends that the industry is struggling a little bit too on the traffic side especially, and that's why we continue to put a lot of emphasis on driving traffic and keeping bodies coming into the brand. And we're confident that the strategies we've got in place will continue to do that. That was really the background for the comment.

Operator

And the next question is coming from Sara Senatore.

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

Bernstein. And just a few follow-ups, please. First is on -- is actually on the labor line. I know you talked about a lot of the efficiencies. It did sounded like there was a bit of an offset in terms of the manager comp. I just want to make sure that I was understanding correctly that that's where it's showing up. And also, if so, is that how we should think about it going forward? As you said, it's something you're happy to pay, and I think it is the right strategy for sure, but I was just trying to think about the offsets going forward to some of the efficiencies you're driving on the labor line. And then I have a follow-up also on the delivery question.

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

Yes. Sara, I think -- I'm assuming you're referring to the manager bonus comment that I made. And yes, there was an incremental level of manager bonus year-over-year we paid, which, again, was about a $0.04 EPS expense, and that comes with a lot of good things. That means the managers are delivering top line. They're flowing through at levels that we expect to see them do. They're delivering GEM scores. So it does show up in labor as that incremental expense. But I would suggest it has positive ramifications across the rest of the performance of the company. But that's really where you will see it.

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

And should we expect sort of a similar magnitude going forward, assuming you kind of -- you continued at these top line trends?

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

It will depend. It could be in that range. Again, I think you'll continue to -- we'll give you some insight if we see that. And the incremental benefits to performing against our expectations would come along with that. Again, one of the things, as I mentioned before, you'll see some leverage that comes into the system too as long as they're performing at that top line.

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

Great. And then on delivery. I was just curious if you had any sort of insights you could share on just the broader picture. Obviously, there's been some evidence that maybe we'll see at least in the near term a step up in competition among aggregators for restaurant inventory or to drive volumes. Do you have any sort of expectation that you could see improved economics or more marketing around Chili's brand in particular, because it is a volume driver? Just any sense of whether or not things might get actually more competitive and to your benefit from an aggregator perspective.

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

I don't know if I'm -- everyone's going to weigh in on aggregators. I probably will pass and let folks that are more familiar with the aggregators themselves. I'll just talk about our partnership and how we see delivery both with our partner, DoorDash, as well as what we're doing on our own. And we've got several initiatives that have yet to be rolled out that we think will help us continue to build on the momentum we already have now, which is significant and curious. Like we have seen with the takeout business, we're now into our -- going into our ninth quarter of positive comps on takeout. We don't see any reason why we can't have a similar long runway with delivery. And they're growing together. So this whole convenience aspect of the business is important. It is a trend. We have a great partnership. We think that's going to continue to leverage us and them to a position of strength in the category. And then we're also just excited about some of the initiatives we've got going on independent to drive that business as well as our takeout business. So that's kind of how we see it.

Operator

And the next question is coming from Eric Gonzalez.

Eric Andrew Gonzalez - *KeyBanc Capital Markets Inc., Research Division - Restaurants Analyst*

It's KeyBanc. So just a question on takeout. I think you said this was the eighth quarter of takeout growth, but I don't think you talked what the growth rate was. And in the past, that had been I think a strong double-digit or mid-teens type of growth rate. So what was the takeout growth during the quarter? And how much of that business do you think was cannibalized by the delivery launch?

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

Eric, yes, it was, again, high single digits continuing to move forward. And without a lot of -- a lot of our energy and marketing was really more focused on delivery. So kind of just almost organically moving at a nice growth level. So again, very strong piece of the business.

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

And I think it's very important to recognize that because, again, we get so much time and energy around delivering and rightly so it's a great new channel. But we have a very strong established to-go business that is also continuing to grow in lockstep with that delivery. So providing convenience initiatives that play to where the consumer -- whether or not they want delivered or they want to pick it up or want to dine in is critical. That convenience has to play across all of those channels, and I think we are well established now to leverage that going forward.

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

Yes. And one of the things that we're really excited about is a lot of the delivery guests that were introduced to Chili's in this quarter are incremental. They're not our heavy users, some of them not very familiar with the brand at all. And now that they've experience in delivery, the takeout options, some of the other options become much more viable for us.

Operator

The next question is coming from Bob Derrington.

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

Yes. Telsey Advisory. Two real quick questions. One, Wyman, on the product innovation front, I think you talked a little bit about that earlier in the call. Should we anticipate that because you have so many other opportunities to drive the business, especially delivery, takeout, et cetera, that this will be a -- I guess, maybe a less complex year in the way of product innovation relative to typical years?

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

Bob, last year was a very simple year for us and one of our better years. So we are -- I think it's probably more the new norm. We're not going to be putting pressure on our operators with massive changes at the restaurant level. The brand is strong. It's got a great system. What we're looking for are really compelling innovations that resonate with guests, and we're holding them a much higher standard. And the culinary and the marketing team are stepping up to those standards in terms of -- so when we talk about putting something into the restaurant, it's got to have breadth and it's got to make a difference. And we're on tests now with some things that are doing that. We're out in market today with -- a great example of this is the margarita of the month program, and our current fantastic margaritas is probably one of the most successful things we've done. The team's done a great job figuring out now how to bring innovation into the system and into the restaurants and in that program specifically on a monthly basis, but do it in a way that the operators can absorb it, execute at a high-level and it makes a difference to the guest. And we have sold a lot of things out there in the last few weeks. So we're very excited about kind of the process as much as anything about innovation. That said, I think when we bring innovation to the market and we will, it will make a difference.

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

Okay, all right. That's helpful. And Joe, real quick question. You talked about the commodity outlook, and that things are kind of playing out as you anticipated this year. But that said, you're also looking at extending your contracts. Is there something about the future, the outlook that gives your supplier some concern? They're suggesting you get more aggressive. Is it the African swine fever? Is that the big concern? Or is it just more certainty about what your future costs will look like?

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

Yes. I think we want to err on the certainty side of the equation. Again, our philosophical approach from a supply chain is to try and minimize volatility, too, and give price certainty to the operators as much as we can. And the reality of the world is that there's a lot more swirling out there right now as it relates to the potential issues around commodities. We do feel it's probably been a little overblown. We spend a lot of time with commodity experts that look at the global channels very minutely, and we want to make sure we're understanding that. But at the same time, we want to, again, take the risk management approach appropriately. So again, we're setting contracts, remember, coming out of pretty good commodity pricing environments. So when you combine those 2 elements together, the risk management side of the equation makes sense to be a little more aggressive in this line. So that's kind of where we are in that.

Operator

And the next question is coming from Andrew Strelzik.

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

BMO. I was hoping to get an update on the loyalty program, particularly given all the favorable commentary about the progress in the digital channels. What are you seeing from a sign up perspective -- membership perspective? Are you happy with the way that the program is performing? And where are you? And I know there are plans to lean in more aggressively on the CRM side over time, but where are you now versus where you plan to end up and kind of the timing or pathway on that?

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

Andrew, we're -- as we, I think, mentioned at the Analyst Day, we're definitely now stepping up the program with regard to acquisition. The operators are doing a good job making sure that all the guests that come into the restaurant understand the value of becoming a Chili's loyalty member. And we're seeing good build of the already significant loyalty database that we have, and we continue to kind of grow that towards our target. So everything is going as -- kind of as planned with that, and we're anticipating we'll continue to actually see increased momentum as we move out through the year. The program is working very well for us. As our -- as we get more and more -- again, more and more reps communicating with our loyalty members and understand exactly what motivates each of them almost on an individual basis, our team is able to become much more effective at putting those messages out there to them that resonate the most.

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

Great. That's helpful. And just a second one for me. I guess, incrementally, it feels like the industry is moving more value-centric and more promotional recently. Is that consistent with what you've seen, number one? And number two, how do you feel like Chili's is positioned? Obviously, value has been a key component. But as you're lapping 3 for $10, just how you feel like the strategy aligns with kind of the current competitive environment?

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

Yes. I think there -- on the face of it, it looks like there is probably more kind of promotional competitiveness out there than there has been in the recent past. I don't know if it's been that effective. And I think we continue to believe in the strategy that a strong everyday kind of value proposition that gets refreshed through innovation, but not through -- necessarily LTOs that move in and out of the system at kind of an unsubstantiated pace is the way to go. So we'll continue to work our strategy. We feel good about what 3 for $10 is doing and how it plays in the mix of our overall menu. And we'll continue to kind of look for ways to enhance it, refresh it, but also move value through other channels as well.

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

Yes. Andrew, I think it's pretty clear now, and you heard us talk about in the comments, we have differentiated the Chili's brand from the competition. It has a brand positioning now that is extremely effective. We think it will be continuing to be effective in a variety of market conditions, whatever you want to assume might be coming down the way. And it's continuing to not just gap, but very meaningfully gap and gap across the country, the industry. So we like stronger industries and weaker industries, but we're focused on continuing to execute the strategy that differentiates in whatever environment we might face.

Operator

And the next question is coming from Howard Penney.

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

Hedgeye Risk Management. I have a delivery question as well. If you -- I understand that your DoorDash relationship is new and you're just beginning. But if you were to make the strategic decision to change your delivery provider, how complex is that and how long would it take you without losing momentum?

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

Yes. There are variables in there, Howard, that would make that question kind of hard to answer just off the top like that. So we don't have any inclination or desire to do that. So it's nothing we're studying, and we're very happy with the relationship and how it's playing out. And obviously, you've seen in our performance this quarter that we're able to drive the business with the partnership that we have. So yes -- so I think, obviously, things can change, but we're happy with where we're at right now and excited to continue to partner with DoorDash.

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

Okay. Thank you, everyone. I think we're out of time. So we appreciate everyone joining us on the call today and look forward to updating you on our second quarter results in January. Have a wonderful day.

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

Thank you, everybody.

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

Okay.

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.
