FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 25, 1998

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	75-1914582
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6820 LBJ FREEWAY, DALLAS, TEXAS 75240
(Address of principal executive offices)
(Zip Code)

(972) 980-9917
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of common stock of registrant outstanding at March 25, 1998: 66,291,592

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

BRINKER INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 25, 1998	June 25, 1997
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 28,209	$ 23,194
Marketable Securities	51	24,469
Accounts Receivable	15,275	15,258
Inventories	14,138	13,031
Prepaid Expenses	34,764	30,364
Deferred Income Taxes	794	1,050
Other	1,312	5,068
Total Current Assets	94,543	112,434
Property and Equipment, at Cost:		
Land	142,664	171,551
Buildings and Leasehold Improvements	521,382	533,579
Furniture and Equipment	302,727	294,985
Construction-in-Progress	44,357	42,977
	1,011,130	1,043,092
Less Accumulated Depreciation and Amortization	325,257	293,483
Net Property and Equipment	685,873	749,609
Other Assets:		
Goodwill	76,886	78,291
Other	89,955	56,609
Total Other Assets	166,841	134,900
Total Assets	$ 947,257	$ 996,943

(continued)

BRINKER INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	March 25, 1998	June 25, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Installments of Long-term Debt	$ 308	$ 280
Accounts Payable	73,292	76,640
Accrued Liabilities	87,052	72,213
Total Current Liabilities	160,652	149,133
Long-term Debt, Less Current Installments	162,173	287,521
Deferred Income Taxes	10,286	7,426
Other Liabilities	38,720	29,119
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 78,150,054 Shares Issued and 66,291,592 Shares Outstanding at March 25, 1998, and 77,710,016 Shares Issued and 65,233,900 Shares Outstanding at June 25, 1997	7,815	7,771
Additional Paid-In Capital	271,934	270,892

Unrealized Gain on Marketable Securities	-	304
Retained Earnings	441,020	395,008
	720,769	673,975
Less Treasury Stock, at Cost (11,858,462 shares at March 25, 1998 and 12,476,116 shares at June 25, 1997)	(145,343)	(150,231)
Total Shareholders' Equity	575,426	523,744
Total Liabilities and Shareholders' Equity	$ 947,257	$ 996,943

See accompanying notes to condensed consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	13 Week Periods Ended		39 Week Periods Ended	
	Mar. 25, 1998	Mar. 26, 1997	Mar. 25, 1998	Mar. 26, 1997
Revenues	$ 401,002	$ 345,510	$1,151,467	$ 965,099
Costs and Expenses:				
Cost of Sales	108,480	96,450	313,016	272,812
Restaurant Expenses	222,318	189,596	637,328	522,023
Depreciation and Amortization	21,329	20,608	65,011	57,059
General and Administrative	21,042	17,381	55,962	48,899
Interest Expense	2,100	2,289	8,953	5,494
Other, Net	1,107	(862)	950	(3,377)
Total Costs and Expenses	376,376	325,462	1,081,220	902,910
Income Before Provision for Income Taxes	24,626	20,048	70,247	62,189
Provision for Income Taxes	8,496	6,716	24,235	20,833
Net Income	$ 16,130	$ 13,332	$ 46,012	$ 41,356
Basic Net Income Per Share	$ 0.24	$ 0.18	$ 0.70	$ 0.54
Diluted Net Income Per Share	$ 0.24	$ 0.18	$ 0.69	$ 0.53
Basic Weighted Average Shares Outstanding	65,894	74,248	65,694	76,363
Diluted Weighted Average Shares Outstanding	67,596	75,224	67,160	77,579

See accompanying notes to condensed consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Thirty-Nine Week Periods Ended	
	March 25, 1998	March 26, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 46,012	$ 41,356

Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	52,607	46,842
Amortization of Goodwill and Other Assets	12,404	10,217
Deferred Income Taxes	3,268	2,814
Changes in Assets and Liabilities:		
Receivables	3,739	(4,995)
Inventories	(1,107)	(950)
Prepaid Expenses	(4,400)	(3,620)
Other Assets	1,615	(10,043)
Accounts Payable	(3,348)	10,491
Accrued Liabilities	14,839	4,910
Other Liabilities	9,037	(5,394)
Other	-	481
Net Cash Provided by Operating Activities	134,666	92,109
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(124,468)	(153,536)
Payments for Purchase of Restaurants	(2,700)	(15,863)
Net Proceeds from Sale-Leasebacks	125,961	-
Proceeds from Sales of Marketable Securities	23,962	59,003
Purchases of Marketable Securities	-	(38,795)
Increase in Equity Investments	(20,500)	-
Net Advances to Affiliates	(5,710)	(2,730)
Additions to Other Assets	(6,850)	(3,390)
Net Cash Used in Investing Activities	(10,305)	(155,311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (Payments) Borrowings on Credit Facilities	(125,000)	167,373
Payments of Long-term debt	(320)	(234)
Proceeds from Issuances of Common Stock	7,231	2,925
Purchases of Treasury Stock	(1,257)	(122,767)
Net Cash Provided by (Used in) Financing Activities	(119,346)	47,297
Net Increase (Decrease) in Cash and Cash Equivalents	5,015	(15,905)
Cash and Cash Equivalents at Beginning of Period	23,194	27,073
Cash and Cash Equivalents at End of Period	$ 28,209	$ 11,168
CASH PAID DURING THE PERIOD:		
Income Taxes, Net	$ 26,204	$ 22,359
Interest, Net of Amounts Capitalized	$ 9,996	$ 3,035

See accompanying notes to condensed consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of March 25, 1998 and June 25, 1997 and for the thirteen week and thirty-nine week periods ended March 25, 1998 and March 26, 1997 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company owns or franchises 780 restaurants under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Cafes ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery, and Eatzi's Market & Bakery ("Eatzi's"). The Company owns a 50% interest in Eatzi's.

The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The notes to the condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the June 25, 1997 Form 10-K. Company management believes that the disclosures are sufficient for interim financial reporting purposes.

Certain prior year amounts in the accompanying condensed consolidated financial statements have been reclassified to conform with current year presentation.

2. Net Income Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), "Earnings Per Share," which requires presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As required, the Company adopted the provisions of SFAS No. 128 in the quarter ended December 24, 1997. All prior year weighted average and per share information has been restated in accordance with SFAS No. 128. Outstanding stock options issued by the Company represent the only dilutive effect reflected in diluted weighted average shares.

3. Shareholders' Equity

On January 27, 1998, the Board of Directors approved a plan to repurchase up to $50 million of the Company's common stock. Repurchases will be made from time to time to offset the dilutive effect on earnings per share of stock option exercises or whenever market conditions warrant. Under this plan, the Company repurchased $670,000 of its common stock during the quarter in accordance with applicable securities regulations. The repurchased common stock may be used by the Company to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, or for other corporate purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues for the periods indicated. All information is derived from the accompanying unaudited condensed consolidated statements of income.

	13 Week Periods Ended		39 Week Periods Ended	
	Mar. 25, 1998	Mar. 26, 1997	Mar. 25,1998	Mar. 26, 1997
Revenues	100.0%	100.0%	100.0%	100.0%
Costs and Expenses:				
Cost of Sales	27.1%	27.9%	27.2%	28.3%
Restaurant Expenses	55.4%	54.9%	55.3%	54.1%
Depreciation and Amortization	5.3%	6.0%	5.6%	5.9%
General and Administrative	5.2%	5.0%	4.9%	5.1%
Interest Expense	0.6%	0.7%	0.8%	0.6%
Other, Net	0.3%	(0.3)%	0.1%	(0.4)%
Total Costs and Expenses	93.9%	94.2%	93.9%	93.6%
Income Before Provision for Income Taxes	6.1%	5.8%	6.1%	6.4%
Provision for Income Taxes	2.1%	1.9%	2.1%	2.1%

Net Income	4.0%	3.9%	4.0%	4.3%

The following table details the number of restaurant openings during the third quarter and year-to-date, as well as total restaurants open at the end of the third quarter.

	3rd Quarter Openings		Year-to-Date Openings		Total Open at End of Third Quarter	
	Fiscal 1998	Fiscal 1997	Fiscal 1998	Fiscal 1997	Fiscal 1998	Fiscal 1997
Chili's:						
Company-owned	3	6	16	25	408	389
Franchised	3	7	15	19	155	141
Total	6	13	31	44	563	530
Macaroni Grill:						
Company-owned	6	10	14	23	111	92
Franchised	--	--	--	--	2	2
Total	6	10	14	23	113	94
On The Border:						
Company-owned	4	6	14	9	48	31
Franchised	3	1	6	3	13	5
Total	7	7	20	12	61	36
Corner Bakery	--	2	7	5	22	13
Cozymel's	--	--	--	1	12	12
Maggiano's	--	1	2	2	7	5
Eatzi's	--	--	1	--	2	1
Grand total	19	33	75	87	780	691

REVENUES

Revenues for the third quarter of fiscal 1998 increased to $401.0 million, 16.1% over the $345.5 million generated for the same quarter of fiscal 1997. Revenues for the thirty-nine week period ended March 25, 1998 rose 19.3% to $1,151.5 million from the $965.1 million generated for the same period of fiscal 1997. These increases are attributable to a net increase of 66 Company-operated restaurants since March 26, 1997, partially offset by the impact of one less trading day in the current quarter as discussed below. The Company increased its capacity (as measured in sales weeks) for the third quarter and year-to-date of fiscal 1998 by 13.0% and 15.2%, respectively, compared to the respective prior year periods. Average weekly sales at Company-owned stores increased 2.8% and 3.7% for the third quarter and year-to-date, respectively, from the same periods of fiscal 1997. On a concept basis, average weekly sales increased for the quarter and year-to-date compared to the same periods of fiscal 1997 by 2.6% and 3.4% at Chili's and 1.2% and 5.2% at On The Border and declined by 2.0% and 3.7% at Macaroni Grill, respectively.

Overall, revenues and average weekly sales were impacted by one less day during which the Company's stores were open for business during the current quarter as compared to the respective prior year quarter. During the current fiscal year, Christmas Day (a day on which the Company's stores are closed) fell in the Company's third quarter. In the prior fiscal year, Christmas Day fell in the second quarter. The current quarter negative impact of this change was offset by a positive impact in the second quarter.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased for the third quarter and year-to-date of fiscal 1998 as compared to the respective periods for fiscal 1997. Favorable commodity prices for meat, poultry, produce, and other food items, as well as menu price increases were somewhat offset by unfavorable commodity prices for seafood, dairy, non-alcoholic beverages and alcoholic beverages.

Restaurant expenses increased on both a comparative third quarter and year-to-date basis, primarily as a result of an increase in rent expense due to sale-leaseback transactions and an equipment leasing facility entered into in the current fiscal year. In addition, management labor increased as a result of the cost of continuing efforts to remain competitive with the industry and increases in monthly performance bonuses due to Chili's positive performance in fiscal 1998. Furthermore, wage rate increases were offset by improvements in labor productivity and costs associated with new product rollouts, as well as menu price increases.

Depreciation and amortization decreased for both the third quarter and year-to-date of fiscal 1998. Depreciation and amortization decreases resulted from the impact of sale-leaseback transactions and an equipment leasing facility, as well as a declining depreciable asset base for older units. Offsetting these decreases were increases in depreciation and amortization related to new unit construction costs and ongoing remodel costs.

General and administrative expenses increased for the third quarter but decreased for year-to-date fiscal 1998 compared to the respective periods in fiscal 1997. The decrease for the year is mainly a result of the Company's continued focus on controlling corporate expenditures relative to increasing revenues and number of restaurants. These efforts were partially offset in the third quarter by increased fiscal 1998 profit sharing accruals based on the Company's continued strong performance. Total dollar costs increased during the periods due to profit sharing accruals and additional staff and support as the Company continues the expansion of its restaurant concepts.

Interest expense decreased for the third quarter but increased for year-to-date fiscal 1998 compared to the respective fiscal 1997 periods due to a higher average level of outstanding borrowings on the Company's credit facilities throughout the year which declined in the most recent quarter due to proceeds from the sale-leaseback transaction executed in November 1997.

Other, net, increased for both the third quarter and year-to-date of fiscal 1998 compared to the respective periods in fiscal 1997. Other, net, was negatively impacted by the liquidation of the marketable securities portfolio initiated in the last half of fiscal 1997 resulting in a reduction of income earned. The proceeds from the liquidation were used to fund a portion of the Company's stock repurchase plan and to fund new unit openings. Furthermore, during the third quarter the Company wrote-off its equity investment in a joint venture which operates Chili's franchises in Southeast Asia. The prior year balances also include gains on sales of land.

INCOME TAXES

The Company's effective income tax rate was 34.5% for the third quarter and year-to-date of fiscal 1998 compared to 33.5% for the same periods of fiscal 1997. The fiscal 1998 effective income tax rate has increased primarily as a result of a decreased dividends received deduction resulting from the liquidation of the Company's marketable securities portfolio.

NET INCOME AND NET INCOME PER SHARE

Net income rose 21.0% and 11.1% for the third quarter and year-to-date periods of fiscal 1998, respectively, compared to the respective periods of fiscal 1997. The increase in net income for the third quarter and year to date is attributable to a combination of increases in revenues which were due to increases in average weekly sales, sales weeks, and menu price increases, decreases in commodity prices, and the effects of the sale-leaseback transaction. These favorable components of the increase in net income were somewhat offset by increases in management labor, incentive compensation, wage rates, and non-operating costs. Diluted net income per share was $0.24 and $0.69, respectively, for the third quarter and year-to-date periods of fiscal 1998 compared to $0.18 and $0.53, respectively, for the respective periods of fiscal 1997. Diluted weighted average shares outstanding for the third quarter decreased 10.1% compared to the prior year period due to a continuing stock repurchase program.

IMPACT OF INFLATION

The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs by raising menu prices.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $43.3 million at June 25, 1997 to $66.1 million at March 25, 1998, due primarily to the sale of the Company's marketable equity securities portfolio in the current year. The proceeds of the sale were used primarily to fund investments in non-current assets. Net cash provided by operating activities increased to $134.7 million for the first thirty-nine weeks of fiscal 1998 from $92.1 million during the same period in fiscal 1997 due to increased profitability and the timing of operational receipts and payments.

Long-term debt outstanding at March 25, 1998 consisted of $60.0 million of borrowings on credit facilities, $100 million of unsecured senior notes and obligations under capital leases. At March 25, 1998, the Company had $281.9 million in available funds from its $350.0 million credit facilities. Long-term liabilities increased in the first thirty-nine weeks of fiscal 1998 due to the deferred gain on the sale-leaseback transaction and increased insurance reserves resulting from Company growth.

Subsequent to June 25, 1997, the Company entered into an equipment leasing facility for up to $55.0 million, of which funding commitments of $47.5 million have been obtained. As of March 25, 1998, $24.4 million of the leasing facility had been utilized. The remaining facility balance will be used to lease equipment for new unit openings.

Capital expenditures were $124.5 million for the first thirty-nine weeks of fiscal 1998 as compared to $153.5 million in the first thirty-nine weeks of fiscal 1997. Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and an ongoing remodeling program. The decrease in capital expenditures compared to the first thirty-nine weeks of 1997 is due mainly to the utilization of the equipment leasing facility during fiscal 1998 to fund purchases of new restaurant furniture and equipment. The Company estimates that its capital expenditures during the fourth quarter will approximate $39.0 million. These capital expenditures will be funded from internal operations, cash equivalents, build-to-suit lease agreements with landlords, the equipment leasing facility, and drawdowns on the Company's available lines of credit.

During the third quarter, the Company increased its investments in various joint ventures by $20.5 million. These investments are accounted for using the equity method and are classified as non-current assets in the Company's consolidated balance sheet.

The Company is not aware of any other event or trend which would potentially affect its liquidity. In the event such a trend would develop, the Company believes that there are sufficient funds available to it under the lines of credit and internal cash generating capabilities to adequately manage the expansion of business.

YEAR 2000

The Year 2000 will have a broad impact on the business environment in which the Company operates due to the possibility that many computerized systems across all industries will be unable to process information containing dates beginning in the Year 2000. The Company has established an extensive plan to prepare its computerized systems for the Year 2000. As a part of this plan, the Company has assessed its computerized systems to determine their ability to correctly identify the Year 2000 and is devoting the necessary internal and external resources to replace, upgrade, or modify all significant systems which do not correctly identify the Year 2000. Additionally, the Company has initiated formal communications with its significant external business partners to determine the extent to which they are modifying their computerized systems to correctly identify the Year 2000. The Company anticipates that all of its systems will be Year 2000 compliant prior to the end of the 1999 calendar year. Based on the Company's current estimate, the cost of resolving all Year 2000 issues is expected to have an immaterial impact on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), "Reporting of the Costs of Start-up Activities". SOP 98-5 is effective for financial statements issued for years beginning after December 15, 1998; therefore, the Company will implement its requirements beginning in fiscal 2000. At that time, the Company will be required to change the method currently used to account for preopening costs. The application of SOP 98-5 will be reported as the cumulative effect of a change in accounting principle. Under the new requirements for accounting for preopening costs, the cost for start-up activities will be expensed as incurred. The impact of SOP 98-5 on the accounting for preopening costs for the periods presented in the accompanying Condensed Consolidated Statements of Income is contingent upon the number of future restaurant openings and thus, cannot be estimated at this time.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 ("SFAS No. 130"), "Reporting Comprehensive Income" and Statement of Financial Accounting Standards No. 131 ("SFAS No. 131"), "Disclosures About Segments of an Enterprise and Related Information." The Company will adopt the provisions of SFAS No. 130 in the first quarter of fiscal 1999 and SFAS No. 131 in its fiscal 1999 year end consolidated financial statements. Once implemented, these provisions will only have a disclosure impact on the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking regarding cash flow from operations, restaurant openings, operating margins, capital requirements, the availability of acceptable real estate locations for new restaurants, and other matters. These forward-looking statements involve risks and uncertainties and, consequently, could be affected by general business conditions, the impact of competition, the seasonality of the Company's business, governmental regulations, and inflation.

PART II. OTHER INFORMATION

Item 6: EXHIBITS

Exhibit 27 Financial Data Schedule. Filed with EDGAR version.

(a) Financial Data Schedule as of and for the 39 week period ended March 25, 1998.

(b) Restated Financial Data Schedule as of and for the 39 week period ended March 24, 1997.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: May 11, 1998 By:____
Ronald A. McDougall, President and
Chief Executive Officer
(Duly Authorized Signatory)

Date: May 11, 1998 By:____
Russell G. Owens, Executive Vice President
and Chief Financial Officer
(Principal Financial and Accounting Officer)

This schedule contains summary financial information extracted from the condensed consolidated balance sheet and related condensed consolidated statement of income of Brinker International, Inc. as of and for the 39 week period ended March 25, 1998, and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS
JUN-24-1998
MAR-25-1998
28,209
51
15,275
(164)
14,138
94,543
1,011,130
(325,257)
947,257
160,652
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7,815
712,954
947,257
1,140,459
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1,015,355
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8,953
70,247
24,235
46,012
0
0
0
46,012
0.70
0.69

5

This schedule contains summary financial information extracted from the condensed consolidated balance sheet and related condensed consolidated statement of income of Brinker International, Inc. as of and for the 39 week period ended March 26, 1997, and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS
JUN-25-1997
MAR-26-1997
11,168
46,412
19,416
(206)
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991,860
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41,356
0.54
.053

Restated to reflect the adoption of Statement of Financial Accounting Standards No. 128, "Earnings Per Share."