

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 23, 2020

Commission File Number 1-10275



BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

3000 Olympus Blvd

Dallas TX

(Address of principal executive offices)

75-1914582

(I.R.S. Employer
Identification No.)

75019

(Zip Code)

(972) 980-9917

(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.10 par value	EAT	NYSE

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of October 23, 2020: 45,289,445 shares

BRINKER INTERNATIONAL, INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited) - Thirteen Week Periods Ended September 23, 2020 and September 25, 2019</u>	<u>3</u>
<u>Consolidated Balance Sheets - September 23, 2020 (Unaudited) and June 24, 2020</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (Unaudited) - Thirteen Week Periods Ended September 23, 2020 and September 25, 2019</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
<u>Item 4. Controls and Procedures</u>	<u>34</u>
<u>PART II. OTHER INFORMATION</u>	<u>35</u>
<u>Item 1. Legal Proceedings</u>	<u>35</u>
<u>Item 1A. Risk Factors</u>	<u>35</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
<u>Item 5. Other Information</u>	<u>35</u>
<u>Item 6. Exhibits</u>	<u>36</u>
<u>SIGNATURES</u>	<u>37</u>

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

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

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Revenues		
Company sales	\$ 728.2	\$ 763.9
Franchise and other revenues	11.9	22.1
Total revenues	740.1	786.0
Operating costs and expenses		
Food and beverage costs	193.5	203.8
Restaurant labor	248.0	268.5
Restaurant expenses	202.5	207.3
Depreciation and amortization	37.4	38.1
General and administrative	30.5	38.0
Other (gains) and charges	3.8	(0.9)
Total operating costs and expenses	715.7	754.8
Operating income	24.4	31.2
Interest expenses	14.6	14.9
Other income, net	(0.4)	(0.5)
Income before income taxes	10.2	16.8
Provision (benefit) for income taxes	(0.5)	1.9
Net income	\$ 10.7	\$ 14.9
Basic net income per share	\$ 0.24	\$ 0.40
Diluted net income per share	\$ 0.23	\$ 0.39
Basic weighted average shares outstanding	45.1	37.5
Diluted weighted average shares outstanding	45.7	38.1
Other comprehensive income (loss)		
Foreign currency translation adjustment	\$ 0.3	\$ (0.2)
Other comprehensive income (loss)	0.3	(0.2)
Comprehensive income	\$ 11.0	\$ 14.7

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In millions, except per share amounts)

	Unaudited September 23, 2020	June 24, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 58.8	\$ 43.9
Accounts receivable, net	56.8	52.3
Inventories	25.9	27.3
Restaurant supplies	51.6	51.6
Prepaid expenses	13.4	13.9
Income taxes receivable, net	33.1	35.4
Total current assets	239.6	224.4
Property and equipment, at cost		
Land	34.2	34.2
Buildings and leasehold improvements	1,544.7	1,534.4
Furniture and equipment	788.3	785.7
Construction-in-progress	18.3	24.4
	2,385.5	2,378.7
Less accumulated depreciation and amortization	(1,603.5)	(1,573.4)
Net property and equipment	782.0	805.3
Other assets		
Operating lease assets	1,041.3	1,054.6
Goodwill	187.7	187.6
Deferred income taxes, net	39.1	38.2
Intangibles, net	22.5	23.0
Other	23.1	22.9
Total other assets	1,313.7	1,326.3
Total assets	\$ 2,335.3	\$ 2,356.0
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 99.4	\$ 104.9
Gift card liability	107.1	109.9
Accrued payroll	63.3	65.2
Operating lease liabilities	117.8	117.3
Other accrued liabilities	121.9	100.6
Total current liabilities	509.5	497.9
Long-term debt and finance leases, less current installments	1,158.3	1,208.5
Long-term operating lease liabilities, less current portion	1,045.2	1,061.6
Other liabilities	87.4	67.1
Commitments and contingencies (Note 14)		
Shareholders' deficit		
Common stock (250.0 million authorized shares; \$0.10 par value; 70.3 million shares issued and 45.3 million shares outstanding at September 23, 2020, and 70.3 million shares issued and 45.0 million shares outstanding at June 24, 2020)	7.0	7.0
Additional paid-in capital	663.2	669.4
Accumulated other comprehensive loss	(5.9)	(6.2)
Accumulated deficit	(386.8)	(397.5)
Treasury stock, at cost (25.0 million shares at September 23, 2020, and 25.3 million shares at June 24, 2020)	(742.6)	(751.8)
Total shareholders' deficit	(465.1)	(479.1)
Total liabilities and shareholders' deficit	\$ 2,335.3	\$ 2,356.0

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

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

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Cash flows from operating activities		
Net income	\$ 10.7	\$ 14.9
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	37.4	38.1
Stock-based compensation	3.9	7.1
Restructure charges and other impairments	0.5	(3.2)
Net loss on disposal of assets	0.4	0.3
Other	0.8	0.6
Changes in assets and liabilities:		
Accounts receivable, net	0.6	7.0
Inventories	1.4	0.1
Prepaid expenses	0.4	5.9
Operating lease assets, net of liabilities	(2.2)	(1.7)
Deferred income taxes, net	(0.9)	1.3
Other assets	0.0	(0.5)
Accounts payable	(4.9)	2.8
Gift card liability	(2.7)	(6.1)
Accrued payroll	(1.9)	(12.1)
Other accrued liabilities	16.2	19.7
Current income taxes	2.4	12.3
Other liabilities	20.7	0.1
Net cash provided by operating activities	<u>82.8</u>	<u>86.6</u>
Cash flows from investing activities		
Payments for property and equipment	(13.6)	(20.5)
Proceeds from note receivable	0.6	0.7
Payments for franchise restaurant acquisitions	—	(96.2)
Proceeds from sale of assets	—	0.2
Net cash used in investing activities	<u>(13.0)</u>	<u>(115.8)</u>
Cash flows from financing activities		
Payments on revolving credit facility	(75.0)	(227.0)
Borrowings on revolving credit facility	28.4	299.0
Payments on long-term debt	(4.6)	(2.4)
Purchases of treasury stock	(3.9)	(11.3)
Payments for debt issuance costs	(1.5)	—
Payments of dividends	(1.3)	(14.8)
Proceeds from issuance of treasury stock	3.0	1.3
Net cash (used in) provided by financing activities	<u>(54.9)</u>	<u>44.8</u>
Net change in cash and cash equivalents	14.9	15.6
Cash and cash equivalents at beginning of period	43.9	13.4
Cash and cash equivalents at end of period	<u>\$ 58.8</u>	<u>\$ 29.0</u>

See accompanying Notes to the Consolidated Financial Statements (Unaudited)

BRINKER INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements (Unaudited)
Footnote Index

Note #	Description	Page
Note 1	Basis of Presentation	7
Note 2	Effect of New Accounting Standards	8
Note 3	Revenue Recognition	9
Note 4	Other Gains and Charges	10
Note 5	Income Taxes	10
Note 6	Net Income Per Share	11
Note 7	Segment Information	11
Note 8	Fair Value Measurements	13
Note 9	Leases	15
Note 10	Debt	16
Note 11	Accrued and Other Liabilities	17
Note 12	Shareholders' Deficit	18
Note 13	Supplemental Cash Flow Information	19
Note 14	Contingencies	20
Note 15	Fiscal 2020 Chili's Restaurant Acquisition	21
Note 16	Subsequent Events	22

1. BASIS OF PRESENTATION

References to “Brinker,” the “Company,” “we,” “us,” and “our” in this Form 10-Q refer to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc.

Our Consolidated Financial Statements (Unaudited) as of September 23, 2020 and June 24, 2020, and for the thirteen week periods ended September 23, 2020 and September 25, 2019, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). We are principally engaged in the ownership, operation, development, and franchising of the Chili’s® Grill & Bar (“Chili’s”) and Maggiano’s Little Italy® (“Maggiano’s”) restaurant brands. At September 23, 2020, we owned, operated or franchised 1,660 restaurants, consisting of 1,116 Company-owned restaurants and 544 franchised restaurants, located in the United States, 28 countries and two United States territories.

Fiscal Year

We have a 52/53 week fiscal year ending on the last Wednesday in June. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal year 2021 contains 53 weeks and will end on June 30, 2021. Fiscal year 2020, which ended on June 24, 2020, contained 52 weeks.

Use of Estimates

The preparation of the consolidated financial statements is in conformity with generally accepted accounting principles in the United States (“GAAP”) and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and costs and expenses in the reporting periods. Actual results could differ from those estimates.

The foreign currency translation adjustment included in Comprehensive income in the Consolidated Statements of Comprehensive Income (Unaudited) represents the unrealized impact of translating the financial statements of our Canadian restaurants from Canadian dollars to United States dollars. This amount is not included in Net income and would only be realized upon disposition of our Canadian restaurants. The related Accumulated other comprehensive loss is presented in the Consolidated Balance Sheets (Unaudited).

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in our opinion, necessary to fairly state the interim operating results, financial position and cash flows 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 GAAP, have been omitted pursuant to SEC rules and regulations. The Notes to the Consolidated Financial Statements (Unaudited) should be read in conjunction with the Notes to the Consolidated Financial Statements contained in our June 24, 2020 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes. All amounts in the Notes to the Consolidated Financial Statements (Unaudited) are presented in millions unless otherwise specified.

Risks and Uncertainties

In January 2020, the Secretary of Health and Human Services declared the novel strain of coronavirus (“COVID-19”) a public health emergency. Subsequently in March 2020, the World Health Organization declared COVID-19 a global pandemic that resulted in a significant reduction in sales at our restaurants due to changes in consumer behavior as social distancing practices, dining room closures and other restrictions were mandated or encouraged by federal, state and local governments. In response to COVID-19, the Company temporarily closed all Company-owned restaurant dining and banquet rooms at the end of the third quarter of fiscal 2020 resulting in a transition to an off-premise business model. Beginning on April 27, 2020 we began to reopen certain dining room locations as permitted by state and local governments. As of September 23, 2020, substantially all of our restaurant dining rooms and patios were opened with limited seating capacity. The capacity limitations and personal safety

preferences in the reopened dining rooms have resulted in reduced traffic in the Company's restaurants in comparison to pre-pandemic levels. See Note 4 - Other Gains and Charges for details regarding the financial impact of the COVID-19 pandemic on our financial results.

At this time, the ultimate impact of COVID-19 cannot be reasonably estimated due to the uncertainty about the extent and the duration of the spread of the virus. A lack of containment or another wave could lead to capacity restrictions, restaurant closures, disruptions in our supply chain and restaurant staffing which could adversely impact our financial results.

2. EFFECT OF NEW ACCOUNTING STANDARDS

New Accounting Standards Implemented in Fiscal 2021

Measurement of Credit Losses on Financial Instruments, ASU No. 2016-13 - In June 2013, the FASB issued ASU 2016-13, creating ASC Topic 326 – Financial Instruments – Credit Losses. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new guidance is effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, which required us to adopt these provisions in the first quarter of fiscal 2021. The update was applied on a prospective basis. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

Fair Value Measurement (Topic 820): Disclosure Framework, ASU No. 2018-13 - Changes to the Disclosure Requirements for Fair Value Measurement - In August 2018, the FASB issued ASU 2018-13, which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The amendments under ASU 2018-13 add an incremental requirement, among others, for entities to disclose (1) the range and weighted average used to develop significant unobservable inputs and (2) how the weighted average was calculated for fair value measurements categorized within Level 3 of the fair value hierarchy. Entities may disclose other quantitative information in lieu of the weighted average if they determine that such information embodies a more reasonable and rational method of reflecting the distribution of significant unobservable inputs used to develop Level 3 fair value measurements. The new guidance is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, which required us to adopt these provisions in the first quarter of fiscal 2021. The update was applied on a prospective basis. The adoption of this guidance did not have an impact on our Consolidated Financial Statements.

Simplifying the Accounting for Income Taxes, ASU No. 2019-12 - In December 2019, the FASB issued ASU 2019-12, which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The new guidance is effective for public entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, which will require us to adopt these provisions in the first quarter of fiscal 2022, and early adoption is permitted. We elected to early adopt this update in the first quarter of fiscal 2021. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

New Accounting Standards That Will Be Implemented In Future Periods

Reference Rate Reform, ASU 2020-04 - In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting. These updates are intended to simplify the market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This guidance is effective upon issuance to modifications made as early as the beginning of the interim period through December 31, 2022. We are currently assessing the impact that this guidance will have on our Consolidated Financial Statements.

3. REVENUE RECOGNITION

Deferred Development and Franchise Fees

Our deferred development and franchise fees consist of the unrecognized fees received from franchisees. Recognition of these fees in subsequent periods is based on satisfaction of the contractual performance obligations of the active contracts with franchisees. We also expect to earn subsequent period royalties and advertising fees related to our franchise contracts; however, due to the variability and uncertainty of these future revenues based upon a sales-based measure, these future revenues are not yet estimable due to the unsatisfied performance obligations.

	Deferred Franchise and Development Fees
Balance as of June 24, 2020	\$ 12.7
Additions	0.1
Amount recognized to Franchise and other revenues	(0.3)
Balance as of September 23, 2020	<u>\$ 12.5</u>

Fiscal Year	Franchise and Development Fees Revenue Recognition
Remainder of 2021	\$ 0.9
2022	1.1
2023	1.0
2024	1.0
2025	1.0
Thereafter	7.5
	<u>\$ 12.5</u>

Deferred Gift Card Revenues

Total deferred revenues related to our gift cards include the full value of unredeemed gift card balances less recognized breakage and the unamortized portion of third party fees.

	Gift Card Liability
Balance as of June 24, 2020	\$ 109.9
Gift card sales	19.0
Gift card redemptions recognized to Company sales	(19.9)
Gift card breakage recognized to Franchise and other revenues	(2.2)
Other	0.3
Balance as of September 23, 2020	<u>\$ 107.1</u>

4. OTHER GAINS AND CHARGES

Other (gains) and charges in the Consolidated Statements of Comprehensive Income (Unaudited) consist of the following:

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Restaurant closure charges	\$ 1.5	\$ 0.2
COVID-19 related charges	1.2	—
Remodel-related costs	0.2	0.7
Lease modification gain, net	(0.5)	(3.1)
Other	1.4	1.3
	<u>\$ 3.8</u>	<u>\$ (0.9)</u>

Fiscal 2021

- Restaurant closure charges primarily relates to closure costs associated with certain Chili's restaurants closed in the first quarter of fiscal 2021.
- COVID-19 related charges consists of costs related to both Chili's and Maggiano's employee assistance and related payroll taxes for certain team members, and restaurant supplies such as face masks and hand sanitizers required to continue to reopen dining rooms.
- Remodel-related costs relates to fixed asset write-offs associated with the ongoing Chili's remodel initiative.
- Lease modification gain, net relates to the lease terminations of certain Chili's operating lease liabilities.

Fiscal 2020

- Lease modification gain, net related to the lease termination of a previously impaired Chili's operating lease.

5. INCOME TAXES

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Effective income tax rate	(4.9)%	11.3 %

The federal statutory tax rate for both periods presented was 21.0%.

Fiscal 2021

Our effective income tax rate for the thirteen week period ended September 23, 2020 was lower than the federal statutory rate primarily due to the favorable impact from the FICA tax credit and excess tax windfalls associated with stock-based compensation.

A reconciliation between the reported provision for income taxes and the amount computed by applying the statutory Federal income tax rate to Provision (benefit) for income taxes is as follows:

	Thirteen Week Period Ended	
	September 23, 2020	
Income tax expense at statutory rate	\$	2.1
FICA tax credit		(1.9)
Stock-based compensation tax windfall		(1.1)
State income taxes, net of federal benefit		0.6
Other		(0.2)
Provision (benefit) for income taxes	\$	(0.5)

Fiscal 2020

Our effective income tax rate for the thirteen week period ended September 25, 2019 was lower than the federal statutory rate due to the favorable impact from the FICA tax credit.

6. NET INCOME PER SHARE

Basic net income per share is computed by dividing Net income by the Basic weighted average shares outstanding for the reporting period. Diluted net income 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. For the calculation of Diluted net income per share, the Basic weighted average shares outstanding is increased by the dilutive effect of stock options and restricted share awards. Stock options and restricted share awards with an anti-dilutive effect are not included in the Diluted net income per share calculation. Basic weighted average shares outstanding are reconciled to Diluted weighted average shares outstanding as follows:

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Basic weighted average shares outstanding	45.1	37.5
Dilutive stock options	0.1	0.1
Dilutive restricted shares	0.5	0.5
Total dilutive impact	0.6	0.6
Diluted weighted average shares outstanding	45.7	38.1
Awards excluded due to anti-dilutive effect	1.6	1.4

7. SEGMENT INFORMATION

Our operating segments are Chili's and Maggiano's. The Chili's segment includes the results of our Company-owned Chili's restaurants, principally in the United States, within the full-service casual dining segment of the industry. The Chili's segment also has Company-owned restaurants in Canada, and franchised locations in the United States, 28 countries and two United States territories. The Maggiano's segment includes the results of our Company-owned Maggiano's restaurants in the United States as well as the results from our domestic franchise business.

Company sales include revenues generated by the operation of Company-owned restaurants including gift card redemptions and virtual brand revenues. Franchise and other revenues include Royalties and Franchise fees and other revenues. Franchise fees and other revenues include delivery service income, gift card breakage, franchise advertising fees, digital entertainment revenues, franchise and development fees, Maggiano's banquet service charge income, gift card equalization, merchandise income, and gift card discount costs from third-party gift card sales. We do not rely on any major customers as a source of sales, and the customers and long-lived assets of our

operating segments are predominantly in the United States. There were no material transactions amongst our operating segments.

Our chief operating decision maker uses Operating income as the measure for assessing performance of our segments. Operating income includes revenues and expenses directly attributable to segment-level results of operations. Restaurant expenses during the periods presented primarily included restaurant rent, supplies, utilities, delivery fees, repairs and maintenance, property taxes, credit card processing fees and advertising. The following tables reconcile our segment results to our consolidated results reported in accordance with GAAP:

	Thirteen Week Period Ended September 23, 2020			
	Chili's	Maggiano's	Other	Consolidated
Company sales	\$ 675.0	\$ 53.2	\$ —	\$ 728.2
Royalties	6.6	0.0	—	6.6
Franchise fees and other revenues	4.9	0.4	—	5.3
Franchise and other revenues	11.5	0.4	—	11.9
Total revenues	686.5	53.6	—	740.1
Food and beverage costs	180.8	12.7	—	193.5
Restaurant labor	228.2	19.8	—	248.0
Restaurant expenses	181.4	20.8	0.3	202.5
Depreciation and amortization	30.6	3.6	3.2	37.4
General and administrative	5.4	1.3	23.8	30.5
Other (gains) and charges	3.6	0.1	0.1	3.8
Total operating costs and expenses	630.0	58.3	27.4	715.7
Operating income (loss)	56.5	(4.7)	(27.4)	24.4
Interest expenses	1.4	—	13.2	14.6
Other income, net	(0.1)	—	(0.3)	(0.4)
Income (loss) before income taxes	\$ 55.2	\$ (4.7)	\$ (40.3)	\$ 10.2
Segment assets	\$ 1,937.1	\$ 221.8	\$ 176.4	\$ 2,335.3
Segment goodwill	149.3	38.4	—	187.7
Payments for property and equipment	11.6	0.5	1.5	13.6

Thirteen Week Period Ended September 25, 2019

	Chili's ⁽¹⁾	Maggiano's	Other	Consolidated
Company sales	\$ 677.5	\$ 86.4	\$ —	\$ 763.9
Royalties	11.8	0.1	—	11.9
Franchise fees and other revenues	6.3	3.9	—	10.2
Franchise and other revenues	18.1	4.0	—	22.1
Total revenues	695.6	90.4	—	786.0
Food and beverage costs	182.4	21.4	—	203.8
Restaurant labor	233.1	35.4	—	268.5
Restaurant expenses	180.8	26.3	0.2	207.3
Depreciation and amortization	30.7	4.0	3.4	38.1
General and administrative	9.1	1.7	27.2	38.0
Other (gains) and charges	(1.6)	0.1	0.6	(0.9)
Total operating costs and expenses	634.5	88.9	31.4	754.8
Operating income (loss)	61.1	1.5	(31.4)	31.2
Interest expenses	0.9	—	14.0	14.9
Other income, net	(0.2)	—	(0.3)	(0.5)
Income (loss) before income taxes	\$ 60.4	\$ 1.5	\$ (45.1)	\$ 16.8
Payments for property and equipment	\$ 16.1	\$ 2.3	\$ 2.1	\$ 20.5

⁽¹⁾ Chili's segment information for fiscal 2020 includes the results of operations related to the 116 restaurants purchased from a former franchisee subsequent to the September 5, 2019 acquisition date. Refer to Note 15 - Fiscal 2020 Chili's Restaurant Acquisition for details.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. Fair value is grouped in three levels based on the level of significant inputs used in measuring fair value, as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs available at measurement date other than quote prices included in Level 1
Level 3	Unobservable inputs that cannot be corroborated by observable market data

Non-Financial Assets Measured on a Non-Recurring Basis

We review the carrying amounts of long-lived property and equipment, operating lease assets, reacquired franchise rights and transferable liquor licenses semi-annually or when events or circumstances indicate that the fair value may not substantially exceed the carrying amount. We record an impairment charge for the excess of the carrying amount over the fair value.

Intangibles, net in the Consolidated Balance Sheets (Unaudited) includes both indefinite-lived intangible assets such as the transferable liquor licenses and definite-lived intangible assets that include reacquired franchise rights and other items such as trademarks. Intangibles, net included accumulated amortization associated with definite-lived intangible assets at September 23, 2020 and June 24, 2020, of \$8.0 million and \$7.5 million, respectively.

Definite Lived Assets Impairment

Definite lived assets include property, equipment, operating lease assets, and reacquired franchise rights. During the thirteen week periods ended September 23, 2020 and September 25, 2019, no indicators of impairment existed.

Indefinite Lived Assets Impairment

We determine the fair value of transferable liquor licenses based on prices in the open market for licenses in the same or similar jurisdictions that is considered Level 2. During the thirteen week periods ended September 23, 2020 and September 25, 2019, no indicators of impairment were identified.

Goodwill

We review the carrying amounts of goodwill annually or when events or circumstances indicate that the carrying amount may not be recoverable. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if the result of the qualitative assessment indicates a potential impairment, then the reporting unit's fair value is compared to its carrying value. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the implied fair value of the goodwill.

Related to the qualitative assessment, changes in circumstances existing at the measurement date or at other times in the future, such as declines in our market capitalization, as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry could result in an impairment loss of all or a portion of our goodwill.

We performed a detailed quantitative assessment in the third quarter of fiscal 2020 of our goodwill balances associated with both reporting units. This assessment was performed in response to observed indicators of impairment that were primarily driven by the impact of the COVID-19 pandemic on our business. These indicators were significant declines in operating cash flows and market capitalization. Based on this assessment, we concluded that our goodwill and indefinite-lived intangible assets were not impaired at that time. We updated this assessment in the fourth quarter of fiscal 2020 and again concluded no impairment triggering event existed based on improved market capitalization and improved operating results compared to projections in the detailed quantitative assessment prepared in the third quarter of fiscal 2020. Our operating results and operating cash flows have continued to outperform our initial quantitative assessment in the first quarter of fiscal 2021. Our stock price and market capitalization have also increased to levels greater than before the COVID-19 pandemic began in the United States. As a result, we have not performed a quantitative analysis in the first quarter of fiscal 2021; however, based on these qualitative factors, Management has concluded no triggering event exists. Our ability to operate dining and banquet rooms and generate off-premise sales at our restaurants is critical to avoiding a future triggering event as the impact of the COVID-19 pandemic continues. Management's judgments about the impact of the pandemic could change as additional developments occur. We will continue to monitor and evaluate our results to determine if more a more detailed assessment is necessary.

Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items.

Long-Term Debt

The carrying amount of debt outstanding related to the amended revolving credit facility approximates fair value as the interest rate on this instrument approximates current market rates (Level 2). The fair values of the 3.875% and 5.000% notes are based on quoted market prices and are considered Level 2 fair value measurements. The 3.875% notes and 5.000% notes carrying amounts, which are net of unamortized debt issuance costs and discounts, and fair values are as follows, refer to Note 10 - Debt for further details:

	September 23, 2020		June 24, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.875% notes	\$ 299.1	\$ 293.3	\$ 299.0	\$ 282.8
5.000% notes	346.9	357.4	346.7	330.8

Note Receivable

During fiscal 2018, we received an \$18.0 million long-term note receivable as consideration related to the sale of our equity interest in the Chili's joint venture in Mexico. We determined the fair value of this note based on an internally developed analysis relying on Level 3 inputs at inception. This analysis was based on a credit rating we assigned to the counterparty and comparable interest rates associated with similar debt instruments observed in the market. As a result of this analysis, we determined the fair value of this note was approximately \$16.0 million and recorded this fair value as its initial carrying value. We believe the fair value continues to approximate the note receivable carrying value, which as of September 23, 2020 was \$7.0 million. The current portion of the note represents cash payments to be received over the next 12 months and is included within Accounts receivable, net while the long-term portion of the note is included within Other assets in the Consolidated Balance Sheets (Unaudited).

9. LEASES

We typically lease our restaurant facilities through ground leases (where we lease land only, but construct the building and improvements) or retail leases (where we lease the land/retail space and building). In addition to our restaurant facilities, we also lease our corporate headquarters location and certain equipment.

Lease Amounts Included in the Consolidated Statements of Comprehensive Income (Unaudited)

The components of lease expenses included in the Consolidated Statements of Comprehensive Income (Unaudited) were as follows:

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Operating lease cost	\$ 41.7	\$ 37.3
Variable lease cost	14.0	13.3
Finance lease amortization	4.0	2.7
Finance lease interest	1.5	0.9
Short-term lease cost	0.1	0.2
Sublease income	(1.0)	(1.2)
Total lease costs, net	\$ 60.3	\$ 53.2

Lease Maturity Analysis

As of September 23, 2020, the discounted future minimum lease payments on finance and operating leases, as well as sublease income, were as follows:

Fiscal Year	September 23, 2020		
	Finance Leases	Operating Leases	Sublease Income
Remainder of 2021	\$ 17.5	\$ 135.8	\$ 2.5
2022	22.4	169.2	3.2
2023	20.9	157.6	2.6
2024	11.4	146.6	1.9
2025	9.0	136.6	1.8
Thereafter	53.6	864.5	4.8
Total future lease payments ⁽¹⁾	134.8	1,610.3	\$ 16.8
Less: Imputed interest	31.0	447.3	
Present value of lease liability	\$ 103.8	\$ 1,163.0	

⁽¹⁾ Finance and Operating leases total future lease payments represent the contractual obligations due under the contract, including certain cancellable option periods where we are reasonably assured to exercise the

options. Included in the Total future lease payments as of September 23, 2020 was non-cancelable lease commitments of \$114.0 million for finance leases, and \$1,065.8 million for operating leases.

10. DEBT

Long-term debt consists of the following:

	September 23, 2020	June 24, 2020
Revolving credit facility	\$ 426.3	\$ 472.9
5.000% notes	350.0	350.0
3.875% notes	300.0	300.0
Finance lease obligations	103.8	102.1
Total long-term debt	1,180.1	1,225.0
Less: unamortized debt issuance costs and discounts	(4.1)	(4.3)
Total long-term debt, less unamortized debt issuance costs and discounts	1,176.0	1,220.7
Less: current installments of long-term debt ⁽¹⁾	(17.7)	(12.2)
Long-term debt less current installments	\$ 1,158.3	\$ 1,208.5

⁽¹⁾ Current installments of long-term debt consist only of finance leases for the periods presented and are recorded within Other accrued liabilities in the Consolidated Balance Sheets (Unaudited). Refer to Note 11 - Accrued and Other Liabilities for further details.

Revolving Credit Facility

In the thirteen week period ended September 23, 2020, net repayments of \$46.6 million were made on the \$1.0 billion revolving credit facility. As of September 23, 2020, \$573.7 million of credit was available under the revolving credit facility.

Amended Revolving Credit Agreement

In the first quarter of fiscal 2021, we executed the seventh amendment to our revolving credit facility. This amendment extended the maturity date to December 12, 2022, and required a capacity reduction to \$900.0 million from \$1.0 billion on September 12, 2021. The issuance of certain debt or preferred equity interests will result in an immediate capacity reduction, an interest rate reduction of 0.250% on the spread, and 0.100% reduction on the undrawn fee if the issuance exceeds \$250.0 million pursuant to the terms of the agreement.

The revolving credit facility bears interest of LIBOR, through December 2021, plus an applicable margin of 2.250% to 3.000% and an undrawn commitment fee of 0.350% to 0.500%, both based on a function of our debt-to-cash-flow ratio. Upon LIBOR's expiration in December 2021, our interest rate will be a function of a similar, publicly available, Eurodollar rate. As of September 23, 2020, our interest rate was 3.750% consisting of the LIBOR floor of 0.750% plus the applicable margin of 3.000%.

During the first quarter of fiscal 2021, we incurred \$1.5 million of debt issuance costs, associated with the revolver amendment, which are included in Other assets in the Consolidated Balance Sheets (Unaudited).

5.000% Notes

In fiscal 2017, we completed the private offering of \$350.0 million of our 5.000% senior notes due October 2024, our fiscal 2025 (the "2024 Notes"). We received proceeds of \$350.0 million and utilized the proceeds to fund a \$300.0 million accelerated share repurchase agreement and to repay \$50.0 million on the amended \$1.0 billion revolving credit facility. The notes require semi-annual interest payments which began on April 1, 2017.

The indenture for the 2024 Notes contains certain covenants, including, but not limited to, limitations and restrictions on the ability of the Company and its Restricted Subsidiaries (as defined in the indenture) to (i) create liens on Principal Property (as defined in the Indenture) and (ii) merge, consolidate or amalgamate with or into any

other person or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of their property. These covenants are subject to a number of important conditions, qualifications, exceptions and limitations.

3.875% Notes

In fiscal 2013, we issued \$300.0 million of 3.875% notes due in May 2023, our fiscal 2023. These “2023 Notes” require semi-annual interest payments which began in the second quarter of fiscal 2014.

Financial Covenants

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. As of September 23, 2020, pursuant to the amended revolving credit facility and under the terms of the indentures governing our 2023 Notes and 2024 Notes, we are in compliance with our covenants. We expect to remain in compliance with our covenants during the remainder of fiscal 2021.

11. ACCRUED AND OTHER LIABILITIES

Other accrued liabilities consist of the following:

	September 23, 2020	June 24, 2020
Property tax	\$ 27.0	\$ 22.9
Insurance	21.3	20.7
Sales tax	18.0	13.3
Current installments of finance leases	17.7	12.2
Interest	14.9	7.5
Utilities and services	8.4	8.3
Cyber security incident	3.4	3.4
Other ⁽¹⁾	11.2	12.3
	<u>\$ 121.9</u>	<u>\$ 100.6</u>

⁽¹⁾ Other primarily consists of accruals for banquet deposits for Maggiano’s events, charitable donations, rent-related expenses, deferred franchise and development fees, and other various accruals.

Other liabilities consist of the following:

	September 23, 2020	June 24, 2020
Deferred payroll taxes ⁽¹⁾	\$ 34.2	\$ 12.9
Insurance	33.5	33.7
Deferred franchise fees	11.4	11.6
Unrecognized tax benefits	2.1	2.1
Other	6.2	6.8
	<u>\$ 87.4</u>	<u>\$ 67.1</u>

⁽¹⁾ Deferred payroll taxes primarily consists of the deferral of the employer portion of certain payroll related taxes as allowed under the CARES Act which will be repaid in two equal installments on December 31, 2021, and December 31, 2022.

12. SHAREHOLDERS' DEFICIT

The changes in Total shareholders' deficit during the thirteen week periods ended September 23, 2020 and September 25, 2019, respectively, were as follows:

Thirteen Week Period Ended September 23, 2020						
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at June 24, 2020	\$ 7.0	\$ 669.4	\$ (397.5)	\$ (751.8)	\$ (6.2)	\$ (479.1)
Net income	—	—	10.7	—	—	10.7
Other comprehensive income	—	—	—	—	0.3	0.3
Dividends	—	—	0.0	—	—	0.0
Stock-based compensation	—	3.9	—	—	—	3.9
Purchases of treasury stock	—	(1.1)	—	(2.8)	—	(3.9)
Issuances of common stock	—	(9.0)	—	12.0	—	3.0
Balance at September 23, 2020	\$ 7.0	\$ 663.2	\$ (386.8)	\$ (742.6)	\$ (5.9)	\$ (465.1)

Thirteen Week Period Ended September 25, 2019						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at June 26, 2019	\$ 17.6	\$ 522.0	\$ 2,771.2	\$ (4,083.4)	\$ (5.6)	\$ (778.2)
Effect of ASC 842 adoption	—	—	195.9	—	—	195.9
Net income	—	—	14.9	—	—	14.9
Other comprehensive loss	—	—	—	—	(0.2)	(0.2)
Dividends (\$0.38 per share)	—	—	(14.6)	—	—	(14.6)
Stock-based compensation	—	7.1	—	—	—	7.1
Purchases of treasury stock	—	(0.3)	—	(11.0)	—	(11.3)
Issuances of common stock	—	(3.7)	—	5.0	—	1.3
Balance at September 25, 2019	\$ 17.6	\$ 525.1	\$ 2,967.4	\$ (4,089.4)	\$ (5.8)	\$ (585.1)

Dividends

In the fourth quarter of fiscal 2020, our quarterly cash dividend was suspended in response to the COVID-19 pandemic. Before this suspension, our Board of Directors approved quarterly dividends of \$0.38 per share paid quarterly. In the thirteen week period ended September 23, 2020, dividends paid solely related to the previously accrued dividends for restricted share awards that vested in the period. Restricted share award dividends are accrued in Other accrued liabilities for the current portion to vest within 12 months, and Other liabilities for the portion that will vest after one year. Before the suspension, in the thirteen week period ended September 25, 2019, we paid dividends of \$14.8 million to common stock shareholders.

Stock-based Compensation

The following table presents the stock options and restricted share awards granted, and related weighted average exercise price and fair value per share amounts.

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Stock options		
Stock options granted	—	0.3
Weighted average exercise price per share	\$ —	\$ 38.51
Weighted average fair value per share	\$ —	\$ 6.83
Restricted share awards		
Restricted share awards granted	0.5	0.3
Weighted average fair value per share	\$ 39.76	\$ 38.51

Share Repurchases

In the fourth quarter of fiscal 2020, our share repurchase program was suspended in response to the COVID-19 pandemic. Prior to the suspension, our share repurchase program was used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluated potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, borrowings, and planned investment and financing needs. Repurchased shares are reflected as an increase in Treasury stock within Shareholders' deficit in the Consolidated Balance Sheets (Unaudited).

In the thirteen week period ended September 23, 2020, we repurchased 0.1 million shares from team members to satisfy tax withholding obligations on the vesting of restricted shares. Before the suspension, in the thirteen week period ended September 25, 2019, we repurchased 0.3 million shares of our common stock for \$11.3 million.

Effect of Adoption of ASC 842

In the first quarter of fiscal 2020, we adopted the lease accounting standard, ASC 842, and recorded a \$195.9 million cumulative effect adjustment increase to Retained earnings for the change in accounting principle.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest is as follows:

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Income taxes, net of (refunds)	\$ (2.1)	\$ (11.8)
Interest, net of amounts capitalized	5.5	6.1

Non-cash investing and financing activities are as follows:

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Retirement of fully depreciated assets	\$ 2.5	\$ 4.3
Dividends declared but not paid	—	14.6
Accrued capital expenditures	6.4	14.2

14. CONTINGENCIES

Lease Commitments

We have, in certain cases, divested brands or sold restaurants to franchisees and have not been released from lease guarantees for the related restaurants. As of September 23, 2020 and June 24, 2020, we have outstanding lease guarantees or are secondarily liable for \$37.7 million and \$39.7 million, respectively. These amounts represent the expected maximum potential liability of future rent payments under the leases. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2021 through fiscal 2027. In the event of default under a lease by a franchisee or owner of a divested brand, the indemnity and default clauses in our agreements with such third parties and applicable laws govern our ability to pursue and recover amounts we may pay on behalf of such parties.

Letters of Credit

We provide letters of credit to various insurers to collateralize obligations for outstanding claims. As of September 23, 2020, we had \$29.5 million in undrawn standby letters of credit outstanding. All standby letters of credit are renewable within the next 1 to 12 months.

Cyber Security Incident

In fiscal 2018, we discovered malware at certain Chili's restaurants that may have resulted in unauthorized access or acquisition of customer payment card data.

Cyber Security Related Charges

To limit our exposure to cyber security events, we maintain cyber liability insurance coverage. Our cyber liability insurance policy contained a \$2.0 million retention that was fully accrued during fiscal 2018. Since the incident, through September 23, 2020, we have incurred total cumulative costs of \$8.2 million related to the cyber security incident. This includes the \$2.0 million retention recorded, \$2.2 million in costs that have been reimbursed by our insurance carriers, \$3.5 million of receivables for costs incurred that we believe are reimbursable and probable of recovery under our insurance coverage and \$0.5 million of costs not reimbursable by our insurance carriers.

We have settled claims from three payment card companies, and the settlement amounts are included in the costs described above. We may incur legal and professional services expenses in future periods. In the event of future litigation, we will record an estimate for any additional losses at the time when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable.

Cyber Security Litigation

The Company was named as a defendant in a putative class action lawsuit in the United States District Court for the Middle District of Florida styled In re: Brinker Data Incident Litigation, Case No. 18-cv-00686-TJC-MCR (the "Litigation") relating to the cyber security incident described above. In the Litigation, plaintiffs assert various claims stemming from the cyber security incident at the Company's Chili's restaurants involving customer payment card information and seek monetary damages in excess of \$5.0 million, injunctive and declaratory relief, and attorney's fees and costs.

On July 27, 2020, the Court granted our second motion to dismiss as to all of Plaintiffs' claims for injunctive relief on Article III standing grounds, dismissing Plaintiffs' declaratory judgment and Florida Deceptive and Unfair Trade Practices Act (FDUTPA) claims outright and dismissing the injunctive relief portions of their UCL claims. The Court further ordered Brinker to file an answer to Plaintiffs' Third Amended Complaint by August 23, 2020, and ordered the parties to mediate the case by November 20, 2020, prior to the class certification hearing in January 2021. Plaintiffs filed their motion for class certification on August 31, 2020, and Brinker's deadline to file its opposition to Plaintiffs' motion is October 30, 2020. Mediation is scheduled for November 18, 2020.

We believe we have defenses and intend to continue defending the Litigation. As such, as of September 23, 2020, we have concluded that a loss, or range of loss, from this matter is not determinable, therefore, we have not recorded

a liability related to the Litigation. We will continue to evaluate this matter based on new information as it becomes available.

Legal Proceedings

Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events, and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures pertaining to litigated matters each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the Consolidated Financial Statements.

We are engaged in various legal proceedings and have certain unresolved claims pending. Liabilities have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, management is of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect, individually or in the aggregate, on the consolidated financial condition or results of operations.

15. FISCAL 2020 CHILI'S RESTAURANT ACQUISITION

In the first quarter of fiscal 2020, on September 5, 2019, we completed the acquisition of certain assets and liabilities related to 116 previously franchised Chili's restaurants located in the Midwest United States. Pro-forma financial information of the acquisition is not presented due to the immaterial impact of the financial results of the acquired restaurants in the Consolidated Financial Statements (Unaudited).

Total cash consideration of \$96.0 million, including post-closing adjustments, was funded with borrowings from our existing credit facility. We accounted for this acquisition as a business combination. The results of operations, and assets and liabilities, of these restaurants are included in the Consolidated Financial Statements (Unaudited) from the date of acquisition. The assets and liabilities of these restaurants are recorded at their fair values.

A preliminary net acquisition-related gain of \$0.5 million was recorded during the thirteen week period ended September 25, 2019 to Other (gains) and charges in the Consolidated Statements of Comprehensive Income (Unaudited) that consisted of \$2.6 million of franchise deferred revenues balance that were fully recognized at the date of the acquisition, partially offset by \$1.5 million of professional services, transaction and transition related costs associated with the purchase, and \$0.6 million of related franchise straight-line rent balances, net of market leasehold improvement adjustments that were fully recognized at the date of the acquisition.

The final purchase price accounting was completed in the third quarter of fiscal 2020, and the final amounts recorded for the fair value of acquired assets and liabilities at the acquisition date were as follows:

	Fair Value September 5, 2019
Current assets ⁽¹⁾	\$ 7.3
Property and equipment	60.3
Operating lease assets	163.5
Reacquired franchise rights ⁽²⁾	6.9
Goodwill ⁽³⁾	22.4
Total assets acquired	260.4
Current liabilities ⁽⁴⁾	9.1
Operating lease liabilities, less current portion	158.3
Total liabilities assumed	167.4
Net assets acquired ⁽⁵⁾	\$ 93.0

(1) Current assets included petty cash, inventory, and restaurant supplies.

(2) Reacquired franchise rights have a weighted average amortization period of approximately 8 years.

- (3) Goodwill is expected to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents the benefits expected as a result of the acquisition, including sales and unit growth opportunities, and the benefit of the assembled workforce of the acquired restaurants.
- (4) Current liabilities included current portion of operating lease liabilities, gift card liability and accrued property tax.
- (5) Net assets acquired at fair value are equal to the total purchase price of \$99.0 million, less \$3.2 million of closing adjustments and \$2.8 million allocated to prepayment of leases entered into between us and the franchisee.

16. SUBSEQUENT EVENTS

Revolver Activity

Subsequent to the first quarter of fiscal 2021, \$20.0 million of net payments were made on the revolving credit facility.

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

GENERAL

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand our Company, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the thirteen week periods ended September 23, 2020 and September 25, 2019, the MD&A should be read in conjunction with the Consolidated Financial Statements (Unaudited) and related Notes to the Consolidated Financial Statements (Unaudited) included in this quarterly report. All amounts within the MD&A are presented in millions unless otherwise specified.

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's® Grill & Bar ("Chili's") and Maggiano's Little Italy® ("Maggiano's") restaurant brands. At September 23, 2020, we owned, operated or franchised 1,660 restaurants, consisting of 1,116 Company-owned restaurants and 544 franchised restaurants, located in the United States, 28 countries and two United States territories. Our restaurant brands, Chili's and Maggiano's, are both operating segments and reporting units. Our Chili's and Maggiano's locations support our virtual brand offering, It's Just Wings™ through our partnership with DoorDash.

COVID-19 Pandemic

Impact of COVID-19 Pandemic

The COVID-19 global pandemic caused a significant decrease in sales during the third and fourth quarters of fiscal 2020, continuing into the first quarter of fiscal 2021. At the end of the third quarter of fiscal 2020, we temporarily closed all Company-owned restaurant dining and banquet rooms as we transitioned to an off-premise business model and temporarily delayed our expansion plans. During the fourth quarter of fiscal 2020, beginning on April 27, 2020, we began to reopen certain dining room locations as permitted by state and local governments. At the end of the first quarter of fiscal 2021, September 23, 2020, substantially all of our Company-owned restaurant dining and banquet rooms or patios were open in a limited capacity.

As dining rooms have reopened, we have mandatory table distancing as an added safety measure for our guests. In addition, we have increased our already strict sanitation requirements, are conducting daily health and temperature checks for all employees before they begin their shift and are requiring personal protective equipment to be worn by all restaurant employees at all times. Our priority has been protecting the health and safety of team members and guests while continuing to serve our communities.

As a result of COVID-19, we have experienced a negative impact on our revenues and traffic. At this time, the impact of COVID-19, in both the short term and long term, is difficult to estimate due to the uncertainty about the duration of the pandemic, the discovery of any effective treatments, cures or vaccines and the related government restrictions. Additional impacts to the business may arise that we are not aware of currently. We cannot predict whether, when or the manner in which COVID-19 may impact our business, including the capacity of our dining rooms, what operational restrictions may be imposed, and our ability to fully staff reopened dining rooms. As such, we have taken a number of proactive measures to adapt our business to lower demand levels during the COVID-19 pandemic including measures to significantly reduce costs, partnering with our lenders to provide additional liquidity, issuing additional common stock and negotiating rent concessions with landlords. We continue to closely monitor and adapt to the evolving situation.

Operations Strategy

We are committed to strategies and a Company culture that we believe are centered on a guest experience. This includes bringing guests back safely, growing long-term sales and profit, engaging team members and working to return our business to pre-pandemic levels. Our strategies and culture are intended to differentiate our brands from the competition, effectively and efficiently manage our restaurants and establish a lasting presence for our brands in key markets around the world.

Our primary strategy remains to make our guests feel special through great food and quality service so that they return to our restaurants. Our guest survey scores on food quality and service reached an all-time high last year and continued to improve during the pandemic as we continued to provide great food and service. Our enhanced safety training and systems have also created a safer environment for our team and guests.

Guest Engagement Through Technology - We have invested in our technology and off-premise options as more guests are opting for to-go and delivery. Our to-go menu is available through our Chili's mobile app, on our Chili's and Maggiano's brand websites, our exclusive delivery partner DoorDash, or by calling the restaurant. Since fiscal 2018, our off-premise business has grown by 177%. Chili's exclusive partnership with DoorDash is instrumental in connecting with our guests and providing convenience especially during the COVID-19 pandemic. DoorDash orders are sent directly into our point of sale system which has created a streamlined integration to our kitchens. We believe that guests will continue to prefer more convenience and off-premise options after the pandemic concerns dissipate. We plan to continue investing in our technology systems to support our carryout and delivery capabilities.

In dining rooms we use tabletop devices to engage our guests at the table. In fiscal 2020, we rolled out a new tabletop device to continue to enhance this experience. These devices provide pay at the table, reordering, digital entertainment, guest feedback and support our My Chili's Rewards program. My Chili's Rewards loyalty database includes more than 8 million loyal members who have interacted with Chili's in the previous six months. We customize offerings for our guests based on their purchase behavior, and we continue to shift more of our overall marketing spend to these customized channels and promotions. We believe this strategy gives us a sustained competitive advantage over independent restaurants and the majority of our competitors.

Chili's - Chili's continues to outpace the casual dining industry and grow market share. Part of our strategy is to differentiate Chili's from our competitors with a flexible platform of value offerings at both lunch and dinner as well as connecting with our guests through our My Chili's Rewards loyalty program. Our Cheers to Patron® Margarita of the Month and new offerings on our 3 for \$10 meal platform were particularly successful in bringing guests back to Chili's during fiscal 2020. We are committed to offering consistent, quality products at a price point that is compelling to our guests. Our "3 for \$10" platform allows guests to combine a starter, a non-alcoholic drink and an entrée for just \$10.00 as part of the every-day base menu. Additionally, we have continued our Margarita of the Month promotion that features a premium-liquor margarita every month at an every-day value price of \$5.00. Most of our value propositions are available for guests to enjoy in our dining rooms or off-premise.

Chili's off-premise dining options including our virtual brand, It's Just Wings are a critical part of our strategy going forward. Chili's off-premise sales, including both to-go and delivery, is approximately 48% of sales, with approximately 61% coming from to-go and 39% from delivery during the first quarter of fiscal 2021. We regularly evaluate our processes and menu at Chili's to identify opportunities where we can improve our service quality and

food. We continue to focus on our core equities and improving guest satisfaction with our food and service by improving execution of our operations standards.

Maggiano's - At Maggiano's, we believe our focus on operating fundamentals and technology will provide the foundation for future efficiencies and growth. Maggiano's also has an exclusive partnership with DoorDash. Our exclusive partnership creates a more affordable rate structure, making third party delivery more sustainable and efficient for the brand to operate. Our guests have the ability to order delivery directly through the Maggiano's website, in addition to the DoorDash platforms.

Virtual Opportunities - It's Just Wings, a virtual brand offering, launched on June 23, 2020 and is available only through DoorDash delivery. This platform allows us to leverage our existing infrastructure, while adding minimal complexity in the restaurants. It's Just Wings is a no-frills offering that consists of chicken wings available in 11 different sauces and rubs, curly fries, ranch dressing and fried Oreos for a value price. We will continue to identify opportunities to drive restaurant growth by utilizing our existing restaurant infrastructure and DoorDash partnership.

Franchise Partnerships - Our global franchisees continue to grow the Chili's brand around the world, opening four restaurants and entering into one new development agreement in the first quarter of fiscal 2021. We plan to strategically pursue expansion of Chili's internationally through development agreements with new and existing franchise partners. We are supporting our franchise partners with opportunities to expand sales through the It's Just Wings virtual brand.

Company Development -The following table details the number of restaurant openings during the thirteen week periods ended September 23, 2020 and September 25, 2019, respectively, total full year projected openings in fiscal 2021, and the total restaurants open at each period end:

	Openings During the Thirteen Week Periods Ended		Full Year Projected Openings	Total Open Restaurants at	
	September 23, 2020	September 25, 2019	Fiscal 2021	September 23, 2020	September 25, 2019
Company-owned restaurants					
Chili's domestic	3	1	8	1,059	1,061
Chili's international	—	—	—	5	5
Maggiano's domestic	—	—	—	52	52
Total Company-owned	3	1	8	1,116	1,118
Franchise restaurants					
Chili's domestic	1	1	3	172	180
Chili's international	3	11	6-9	371	373
Maggiano's domestic	—	—	1	1	1
Total franchise	4	12	10-13	544	554
Total restaurants					
Chili's domestic	4	2	11	1,231	1,241
Chili's international	3	11	6-9	376	378
Maggiano's domestic	—	—	1	53	53
Total	7	13	18-21	1,660	1,672

Included in the Total Restaurants Open at September 23, 2020 are locations that were temporarily closed due to the COVID-19 pandemic which included: four Company-owned Chili's restaurants, seven domestic Chili's franchise locations, and 27 Chili's international franchise locations. Additionally, during the first quarter of fiscal 2021, we resumed construction of new restaurants and opened three Chili's domestic locations.

Relocations are not included in the table above. During the thirteen week period ended September 23, 2020 we have relocated one Company-owned restaurant, and we plan to relocate one Chili's domestic Company-owned restaurant during the remainder of fiscal 2021.

At September 23, 2020, we own property for 42 of the 1,116 Company-owned restaurants. The net book values associated with these restaurants included land of \$33.1 million and buildings of \$13.0 million.

RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of Total revenues (unless otherwise noted) for the periods indicated. All information is derived from the accompanying Consolidated Statements of Comprehensive Income (Unaudited):

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Revenues		
Company sales ⁽¹⁾	98.4 %	97.2 %
Franchise and other revenues ⁽¹⁾	1.6 %	2.8 %
Total revenues ⁽¹⁾	100.0 %	100.0 %
Operating costs and expenses		
Food and beverage costs ⁽²⁾	26.6 %	26.7 %
Restaurant labor ⁽²⁾	34.0 %	35.2 %
Restaurant expenses ⁽²⁾	27.8 %	27.1 %
Depreciation and amortization ⁽¹⁾	5.1 %	4.8 %
General and administrative ⁽¹⁾	4.1 %	4.8 %
Other (gains) and charges ⁽¹⁾	0.5 %	(0.1)%
Total operating costs and expenses ⁽¹⁾	96.7 %	96.0 %
Operating income ⁽¹⁾	3.3 %	4.0 %
Interest expenses ⁽¹⁾	2.0 %	1.9 %
Other (income), net ⁽¹⁾	(0.1)%	0.0 %
Income before income taxes ⁽¹⁾	1.4 %	2.1 %
Provision (benefit) for income taxes ⁽¹⁾	0.0 %	0.2 %
Net income ⁽¹⁾	1.4 %	1.9 %

(1) As a percentage of Total revenues

(2) As a percentage of Company sales

Revenues

Thirteen Week Period Ended September 23, 2020 compared to September 25, 2019

Revenues are presented in two separate captions in the Consolidated Statements of Comprehensive Income (Unaudited) to provide more clarity around Company-owned restaurant revenues and operating expenses trends:

- Company sales include revenues generated by the operation of Company-owned restaurants including sales made with gift card redemptions.
- Franchise and other revenues include Royalties and Franchise fees and other revenues. Franchise fees and other revenues include delivery service income, gift card breakage, franchise advertising fees, digital entertainment revenues, franchise and development fees, Maggiano's banquet service charge income, gift card equalization, merchandise income, and gift card discount costs from third-party gift card sales.

The following is a summary of the change in Total revenues:

	Total Revenues		
	Chili's	Maggiano's	Total Revenues
Thirteen Week Period Ended September 25, 2019	\$ 695.6	\$ 90.4	\$ 786.0
Change from:			
Comparable restaurant sales ⁽¹⁾	(46.9)	(33.2)	(80.1)
Restaurant openings	4.1	—	4.1
Restaurant relocations	0.4	—	0.4
Restaurant closings ⁽²⁾	(9.8)	—	(9.8)
Restaurant acquisitions ⁽³⁾	49.7	—	49.7
Company sales	(2.5)	(33.2)	(35.7)
Royalties ⁽⁴⁾	(5.2)	(0.1)	(5.3)
Franchise fees and other revenues	(1.4)	(3.5)	(4.9)
Franchise and other revenues	(6.6)	(3.6)	(10.2)
Thirteen Week Period Ended September 23, 2020	\$ 686.5	\$ 53.6	\$ 740.1

- (1) Comparable restaurant sales decreased due to lower dining room guest traffic resulting from capacity limitations and personal safety preferences, partially offset by increased off-premise sales.
- (2) Restaurant closings include the impact of permanently closed locations and temporary COVID-19 closures, that have extended past 14 consecutive days.
- (3) We acquired 116 Chili's restaurants from a franchisee effective September 5, 2019. This amount represents the change in Company sales attributed to owning these restaurants over the entire thirteen week period ended September 23, 2020.
- (4) Lower royalties in the thirteen week period ended September 23, 2020 are primarily due to the adverse impact of the COVID-19 pandemic. Our franchisees generated sales of approximately \$164.0 million for the thirteen week period ended September 23, 2020 compared to \$298.3 million in sales for the thirteen week period ended September 25, 2019.

The table below presents the percentage change in comparable restaurant sales and restaurant capacity for the thirteen week period ended September 23, 2020 compared to September 25, 2019:

Percentage Change in the Thirteen Week Period Ended September 23, 2020 versus September 25, 2019					
	Comparable Restaurant Sales ⁽¹⁾⁽²⁾	Price Impact	Mix-Shift ⁽³⁾	Traffic	Restaurant Capacity ⁽⁴⁾
Company-owned	(10.9)%	0.4 %	(6.3)%	(5.0)%	7.8 %
Chili's	(7.2)%	0.2 %	(4.2)%	(3.2)%	8.2 %
Maggiano's	(38.6)%	3.0 %	(12.7)%	(28.9)%	0.0 %
Chili's Franchise ⁽⁵⁾	(11.5)%				
U.S.	(5.6)%				
International	(21.9)%				
Chili's Domestic ⁽⁶⁾	(7.0)%				
System-wide ⁽⁷⁾	(11.0)%				

- (1) Comparable Restaurant Sales include all restaurants that have been in operation for more than 18 months except acquired restaurants which are included after 12 months of ownership. Restaurants temporarily closed 14 days or more are excluded from comparable restaurant sales. Percentage amounts are calculated based on the comparable periods year-over-year.
- (2) Comparable Restaurant Sales for Chili's and Maggiano's include the results of It's Just Wings, a virtual brand launched nationally in June 2020.

- (3) Mix-Shift is calculated as the year-over-year percentage change in Company sales resulting from the change in menu items ordered by guests.
- (4) Restaurant Capacity is measured by sales weeks and is calculated based on comparable periods year-over-year. We believe the COVID-19 related restaurant closures are temporary and therefore no adjustment has been made to capacity.
- (5) Chili's franchise sales generated by franchisees are not included in revenues in the Consolidated Statements of Comprehensive Income (Unaudited); however, we generate royalty revenues and advertising fees based on franchisee revenues, where applicable. We believe including Chili's franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations.
- (6) Chili's domestic Comparable Restaurant Sales percentages are derived from sales generated by Company-owned and franchise-operated Chili's restaurants in the United States.
- (7) System-wide Comparable Restaurant Sales are derived from sales generated by Company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchise-operated Chili's restaurants.

Costs and Expenses

Thirteen Week Periods Ended September 23, 2020 compared to September 25, 2019

The following is a summary of the change in costs and expenses:

	Thirteen Week Periods Ended						(Favorable) Unfavorable Variance	
	September 23, 2020		September 25, 2019		Dollars	% of Company Sales		
	Dollars	% of Company Sales	Dollars	% of Company Sales			Dollars	% of Company Sales
Food and beverage costs	\$ 193.5	26.6 %	\$ 203.8	26.7 %	\$ (10.3)	(0.1)%		
Restaurant labor	248.0	34.0 %	268.5	35.2 %	(20.5)	(1.2)%		
Restaurant expenses	202.5	27.8 %	207.3	27.1 %	(4.8)	0.7 %		
Depreciation and amortization	37.4		38.1		(0.7)			
General and administrative	30.5		38.0		(7.5)			
Other (gains) and charges	3.8		(0.9)		4.7			
Interest expenses	14.6		14.9		(0.3)			
Other income, net	(0.4)		(0.5)		0.1			

Food and beverage costs, as a percentage of Company sales, decreased 0.1% consisting of 0.2% of favorable menu item mix and 0.2% of favorable commodity pricing related to produce, partially offset by 0.3% of unfavorable commodity pricing primarily related to dairy and beef.

Restaurant labor, as a percentage of Company sales, decreased 1.2% consisting of 1.5% of favorable hourly labor expenses due to reduced staffing requirements, 1.0% of lower manager compensation, and 0.3% of lower other net restaurant labor expenses, partially offset by 1.6% of sales deleverage.

Restaurant expenses, as a percentage of Company sales, increased 0.7% consisting of 3.4% of higher expenses primarily related to delivery fees and supplies in connection with the growth in off-premise sales, and 2.2% of sales deleverage, partially offset by 2.1% of lower advertising expenses, 1.3% of lower repairs and maintenance expenses, 0.3% of lower utilities expenses, 0.3% of lower credit card fees, and 0.9% of lower other net restaurant expenses.

Depreciation and amortization decreased \$0.7 million as follows:

	Depreciation and Amortization
Thirteen Week Period Ended September 25, 2019	\$ 38.1
Change from:	
Retirements and fully depreciated restaurant assets	(6.4)
Additions for existing and new restaurant assets ⁽¹⁾	2.1
Acquisition of Chili's restaurants ⁽²⁾	2.1
Finance leases	0.8
Corporate assets	0.4
Other	0.3
Thirteen Week Period Ended September 23, 2020	<u>\$ 37.4</u>

(1) Additions for existing and new restaurant assets increased primarily related to capital purchases.

(2) Acquisition of Chili's restaurants represents the depreciation and amortization of the assets and finance leases of the 116 Chili's restaurants acquired in the first quarter of fiscal 2020.

General and administrative expenses decreased \$7.5 million as follows:

	General and Administrative
Thirteen Week Period Ended September 25, 2019	\$ 38.0
Change from:	
Stock-based compensation ⁽¹⁾	(3.2)
Defined contribution plan employer expenses ⁽²⁾	(2.6)
Professional fees	(1.3)
Payroll-related expenses	(1.1)
Travel and entertainment expenses	(0.8)
Performance-based compensation	1.8
Other	(0.3)
Thirteen Week Period Ended September 23, 2020	<u>\$ 30.5</u>

(1) Stock-based compensation decreased primarily due to the acceleration of stock-based compensation expenses in the first quarter of fiscal 2020 for retirement eligible executives. Prior to fiscal 2021, retirement eligibility resulted in the compensation being recognized in full upon grant as there was no substantive vesting period. In fiscal 2021, the retirement eligible executives received only 20% of their equity as awards with no substantive vesting period. Their remaining 80% of equity granted in fiscal 2021 will be amortized evenly over the three year vesting period.

(2) Defined contribution plan employer expenses decreased due to the suspension of employer matching contributions in May 2020.

Other (gains) and charges consisted of the following (for further details, refer to Note 4 - Other Gains and Charges):

	Thirteen Week Periods Ended	
	September 23, 2020	September 25, 2019
Restaurant closure charges	\$ 1.5	\$ 0.2
COVID-19 related charges	1.2	—
Remodel-related costs	0.2	0.7
Lease modification gain, net	(0.5)	(3.1)
Other	1.4	1.3
	<u>\$ 3.8</u>	<u>\$ (0.9)</u>

Interest expenses decreased \$0.3 million consisting of lower average borrowing balances on our revolving credit facility in the thirteen week period ended September 23, 2020, partially offset by higher interest expenses related to the real estate finance leases acquired from the acquisition of 116 Chili's restaurants on September 5, 2019.

Segment Results

At the end of the first quarter of fiscal 2021 substantially all our Company-owned restaurant dining rooms or patios were open in some capacity. Capacity restrictions related to the ongoing COVID-19 pandemic vary by location due to state and local mandates. These capacity restrictions and personal safety preferences have resulted in lower overall guest traffic and many guests have shifted to our off-premise dining options. This shift has changed the staffing requirements in the restaurants and other expenses associated with off-premise which are noted below.

Chili's Segment

	Thirteen Week Periods Ended		Favorable (Unfavorable) Variance	Variance as percentage
	September 23, 2020	September 25, 2019		
Company sales	\$ 675.0	\$ 677.5	\$ (2.5)	(0.4)%
Royalties	6.6	11.8	(5.2)	(44.1)%
Franchise fees and other revenues	4.9	6.3	(1.4)	(22.2)%
Franchise and other revenues	11.5	18.1	(6.6)	(36.5)%
Total revenues	<u>686.5</u>	<u>695.6</u>	<u>(9.1)</u>	<u>(1.3)%</u>
Food and beverage costs	180.8	182.4	1.6	0.9 %
Restaurant labor	228.2	233.1	4.9	2.1 %
Restaurant expenses	181.4	180.8	(0.6)	(0.3)%
Depreciation and amortization	30.6	30.7	0.1	0.3 %
General and administrative	5.4	9.1	3.7	40.7 %
Other (gains) and charges	3.6	(1.6)	(5.2)	325.0 %
Total operating costs and expenses	<u>630.0</u>	<u>634.5</u>	<u>4.5</u>	<u>0.7 %</u>
Operating income (loss)	<u>\$ 56.5</u>	<u>\$ 61.1</u>	<u>\$ (4.6)</u>	<u>(7.5)%</u>
Operating income as a percentage of Total revenues	<u>8.2 %</u>	<u>8.8 %</u>	<u>(0.6)%</u>	<u>(6.8)%</u>

Thirteen Week Period Ended September 23, 2020 compared to September 25, 2019

Chili's Total revenues decreased by 1.3% primarily due to lower dining room guest traffic, partially offset by increased off-premise sales including It's Just Wings and the acquisition of 116 Chili's restaurants in the first quarter of fiscal 2020 on September 5, 2019. Refer to "Revenues" section above for further details about Chili's revenues changes.

Company restaurant expenses for Chili's, as a percentage of Company sales, decreased 0.5% consisting of 2.3% of lower advertising expenses, 1.5% of lower manager and hourly labor as a result of reduced staffing during the first quarter of fiscal 2021, and 1.4% of lower repairs and maintenance expenses. These decreases were partially offset by 2.4% of sales deleverage and 2.3% of higher expenses primarily related to delivery fees and supplies in connection with the growth in off-premise sales.

Depreciation and amortization for Chili's decreased \$0.1 million consisting of \$5.2 million related to fully depreciated assets and retirements, partially offset by \$2.1 million of additional depreciation and amortization expenses related to the 116 Chili's restaurants acquired in the first quarter of fiscal 2020, \$1.9 million in existing and new restaurant additions primarily related to routine capital purchases, \$0.9 million in additional amortization expenses related to finance leases, and \$0.2 million in other depreciation and amortization expenses increases.

General and administrative for Chili's decreased \$3.7 million consisting primarily of a decrease in defined contribution plan employer expenses, stock-based compensation, payroll-related expenses and professional fees, partially offset by an increase in performance-based compensation.

Other (gains) and charges for Chili's in the thirteen week period ended September 23, 2020 consisted primarily of \$1.5 million of restaurant closure charges and \$1.1 million of employee assistance payments and other COVID-19 related expenses. Other (gains) and charges in the thirteen week period ended September 25, 2019 consisted primarily of \$3.1 million of lease modification (gain) and \$0.5 million of net gain related to the 116 Chili's restaurants acquired in the first quarter of fiscal 2020, partially offset by \$0.7 million of Chili's remodel-related costs.

Maggiano's Segment

	Thirteen Week Periods Ended		Favorable (Unfavorable) Variance	Variance as a percentage
	September 23, 2020	September 25, 2019		
Company sales	\$ 53.2	\$ 86.4	\$ (33.2)	(38.4)%
Royalties	—	0.1	(0.1)	(100.0)%
Franchise fees and other revenues	0.4	3.9	(3.5)	(89.7)%
Franchise and other revenues	0.4	4.0	(3.6)	(90.0)%
Total revenues	53.6	90.4	(36.8)	(40.7)%
Food and beverage costs	12.7	21.4	8.7	40.7 %
Restaurant labor	19.8	35.4	15.6	44.1 %
Restaurant expenses	20.8	26.3	5.5	20.9 %
Depreciation and amortization	3.6	4.0	0.4	10.0 %
General and administrative	1.3	1.7	0.4	23.5 %
Other (gains) and charges	0.1	0.1	—	— %
Total operating costs and expenses	58.3	88.9	30.6	34.4 %
Operating income (loss)	\$ (4.7)	\$ 1.5	\$ (6.2)	(413.3)%
Operating income as a percentage of Total revenues	(8.8)%	1.7 %	(10.5)%	(617.6)%

Thirteen Week Period Ended September 23, 2020 compared to September 25, 2019

Maggiano's Total revenues decreased 40.7% primarily due to lower dining room guest traffic including lower banquet volume, partially offset by increased off-premise sales including It's Just Wings. Refer to "Revenues" section above for further details about Maggiano's revenues changes.

Company restaurant expenses for Maggiano's, as a percentage of Company sales, increased 4.0% primarily consisting of 15.6% of sales deleverage and 2.5% of higher expenses primarily related to delivery fees and supplies in connection with the growth in off-premise sales. These increases were partially offset by 9.4% of lower manager

and hourly labor as a result of reduced staffing during the first quarter of fiscal 2021, 1.7% of lower repairs and maintenance expenses, 0.7% of lower credit card fees, 0.6% of lower utilities expenses, 0.6% of lower advertising, 0.5% of favorable menu item mix, and 0.4% of favorable menu pricing.

Income Taxes

	Thirteen Week Periods Ended		Change
	September 23, 2020	September 25, 2019	
Effective income tax rate	(4.9)%	11.3 %	(16.2)%

The federal statutory tax rate was 21.0% for both thirteen week periods ended September 23, 2020 and September 25, 2019.

The effective income tax rate in the thirteen week period ended September 23, 2020 decreased compared to the thirteen week period ended September 25, 2019 primarily due to the favorable impact from the FICA tax credit and excess tax windfalls associated with stock-based compensation in the first quarter of fiscal 2021.

Liquidity and Capital Resources

COVID-19 Impact on Liquidity

Typically, cash flows generated from operating activities are our principal source of liquidity, which we use to finance capital expenditures, such as remodels, maintaining existing restaurants and constructing new restaurants, to pay dividends and to repurchase shares of our common stock. Our strategic decision to enhance our off-premise business has enabled us to conveniently serve a significantly higher volume of off-premise guests during this pandemic compared to other industry competitors. Due to the uncertainty in the economy and to preserve liquidity, we have taken proactive precautionary measures to raise additional capital, reduce costs and pause non-critical projects that do not significantly impact our current operations. These measures during fiscal 2021 included:

- Amended our revolving credit facility to extend the maturity and provide additional flexibility during this time;
- Reduced capital expenditures, although we have begun to strategically resume the Chili's remodel program and construction of certain new restaurants;
- Reduced marketing, general and administrative and restaurant expenses;
- Continued the suspension of both the quarterly cash dividend and the share repurchase program; and
- Amended the fiscal 2018 and fiscal 2019 U.S. Consolidated Income tax returns in order to claim the increased depreciation deductions for Brinker's qualified improvement property in accordance with the CARES Act which resulted in an anticipated refund of \$4.6 million.

Cash Flows

Cash Flows from Operating Activities

	Thirteen Week Periods Ended		
	September 23, 2020	September 25, 2019	Favorable (Unfavorable) Variance
Net cash provided by operating activities	\$ 82.8	\$ 86.6	\$ (3.8)

Net cash provided by operating activities decreased primarily due to lower sales in the first quarter of fiscal 2021 as a result of the COVID-19 pandemic, the timing of income tax refunds (net of payments), and the timing of operational receipts and payments, partially offset by additional deferred payroll taxes as a result of the CARES Act and a lower profit sharing payment in the current fiscal year.

Cash Flows from Investing Activities

	Thirteen Week Periods Ended		
	September 23, 2020	September 25, 2019	Favorable (Unfavorable) Variance
Cash flows from investing activities			
Payments for property and equipment	\$ (13.6)	\$ (20.5)	\$ 6.9
Payments for franchise restaurant acquisitions	—	(96.2)	96.2
Proceeds from sale of assets	—	0.2	(0.2)
Proceeds from note receivable	0.6	0.7	(0.1)
Net cash used in investing activities	\$ (13.0)	\$ (115.8)	\$ 102.8

Net cash used in investing activities decreased primarily due to \$96.2 million of cash consideration and related transactional charges paid for the purchase of 116 Chili's restaurants from a franchisee in the prior year. Additionally, capital expenditures decreased in fiscal 2021 primarily due to a reduction in spend for routine capital purchases in order to prioritize debt repayment, the timing of spend on new restaurants, and a decline in the pace of the Chili's remodel initiative.

Cash Flows from Financing Activities

	Thirteen Week Periods Ended		
	September 23, 2020	September 25, 2019	Favorable (Unfavorable) Variance
Cash flows from financing activities			
Borrowings on revolving credit facility	\$ 28.4	\$ 299.0	\$ (270.6)
Payments on revolving credit facility	(75.0)	(227.0)	152.0
Purchases of treasury stock	(3.9)	(11.3)	7.4
Payments of dividends	(1.3)	(14.8)	13.5
Payments on long-term debt	(4.6)	(2.4)	(2.2)
Proceeds from issuance of treasury stock	3.0	1.3	1.7
Payments for debt issuance costs	(1.5)	—	(1.5)
Net cash (used in) provided by financing activities	\$ (54.9)	\$ 44.8	\$ (99.7)

Net cash used in financing activities increased primarily due to \$46.6 million of net repayment activity in fiscal 2021 compared to \$72.0 million of net borrowing activity in fiscal 2020 on the revolving credit facility, partially offset by the impact of suspending the payment of dividends and share repurchases.

Revolving Credit Facility

Net repayments of \$46.6 million were made during the thirteen week period ended September 23, 2020 on the \$1.0 billion revolving credit facility primarily from cash from operations. As of September 23, 2020, \$573.7 million of credit was available under the revolving credit facility.

In the first quarter of fiscal 2021, we executed the seventh amendment to the revolving credit facility. This amendment extended the maturity date to December 12, 2022, and contained a required commitment reduction to \$900.0 million on September 12, 2021 from the previous \$1.0 billion commitment. Refer to Note 10 - Debt for more information. Additionally, subsequent to the end of the first quarter of fiscal 2021, \$20.0 million additional net payments were made on the revolving credit facility as of the date that this Quarterly Report on Form 10-Q was filed.

As of September 23, 2020, pursuant to the amended revolving credit facility and under the terms of the indentures governing our 2023 Notes and 2024 Notes, we are in compliance with our covenants. Refer to Note 10 - Debt for further information about our notes and revolving credit facility.

Share Repurchase Program

In the fourth quarter of fiscal 2020, our share repurchase program was primarily suspended in response to the liquidity needs created by the COVID-19 pandemic. Prior to the suspension, our share repurchase program was used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In the thirteen week period ended September 23, 2020, we repurchased 0.1 million shares solely related to shares repurchased to satisfy team member tax withholding obligations on the vesting of restricted shares. Before the suspension, in the thirteen week period ended September 25, 2019, we repurchased 0.3 million shares of our common stock for \$11.3 million.

Dividend Program

In the fourth quarter of fiscal 2020, our quarterly cash dividend was suspended in response to the liquidity needs created by the COVID-19 pandemic. Before this suspension, our Board of Directors approved quarterly dividends of \$0.38 per share paid quarterly. In the thirteen week period ended September 23, 2020, dividends paid solely related to the previously accrued dividends for restricted share awards that vested in the period. Restricted share award dividends are accrued in Other accrued liabilities for the current portion to vest within 12 months, and Other liabilities for the portion that will vest after one year. Before the suspension, in the thirteen week period ended September 25, 2019, we paid dividends of \$14.8 million to common stock shareholders.

Cash Flow Outlook

We believe that our various sources of capital, including future cash flow from operating activities and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations within the next year. We continue to serve customers at substantially all of our locations through our off-premise offerings and limited capacity dining rooms. We will continue to monitor the situation and intend to resume normal business operations on a case by case basis when permitted under applicable government regulations and when we believe we are able to do so safely.

We are not aware of any other event or trend that would potentially materially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facility and from our internal cash generating capabilities to adequately manage our ongoing business.

OFF-BALANCE SHEET ARRANGEMENTS

We have obligations for guarantees on certain lease agreements and letters of credit as disclosed in Note 14 - Contingencies, in the Consolidated Financial Statements (Unaudited), and have entered into certain pre-commencement leases as disclosed in Note 9 - Leases included in the Notes to the Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report. Other than these items, we do not have any off-balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS

The impact of recent accounting pronouncements can be found at Note 2 - Effect of New Accounting Standards in the Notes to the Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our quantitative and qualitative market risks set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended June 24, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the thirteen week period ended September 23, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Information and statements contained in this Form 10-Q, in our other filings with the SEC or in our written and verbal communications that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are generally accompanied by words like “believes,” “anticipates,” “estimates,” “predicts,” “expects,” “plans,” “intends,” “projects,” “continues” and other similar expressions that convey uncertainty about future events or outcomes. Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties which could cause actual results to differ materially from our historical results or from those projected in forward-looking statements. These risks and uncertainties are, in many instances, beyond our control. We wish to caution you against placing undue reliance on forward-looking statements because of these risks and uncertainties. Except as required by law, we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The forward-looking statements contained in this Form 10-Q report are subject to the risks and uncertainties described in Part I, Item IA “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 24, 2020, and below in Part II, Item 1A “Risk Factors” in this report on Form 10-Q, as well as the risks and uncertainties that generally apply to all businesses. We further caution that it is not possible to identify all risks and uncertainties, and you should not consider the identified factors as a complete list of all risks and uncertainties. Among the factors that could cause actual results to differ materially are: disruptions from COVID-19 pandemic, the impact of competition, changes in consumer preferences, consumer perception of food safety, reduced disposable income, unfavorable publicity, increased minimum wages, governmental regulations, the Company’s ability to meet its business strategy plan, third party delivery risks, loss of key management personnel, failure to hire and retain high-quality restaurant management, the impact of social media, failure to protect the security of data of our guests and team members, product availability, regional business and economic conditions, litigation, franchisee success, changes in interest rates due to phase out of LIBOR, downgrades in our credit ratings, inflation, changes in the retail industry, technology failures, failure to protect our intellectual property, outsourcing, impairment of goodwill or assets, failure to maintain effective internal control over financial reporting, actions of activist shareholders, adverse weather conditions, terrorist acts, health epidemics or pandemics (such as COVID-19), tax reform, changes in financial and credit markets, weather, inadequate insurance coverage and limitations imposed by our credit agreements.

It is possible that there could be a material adverse impact on our revenues, results of operations and cash flows in connection with COVID-19. The situation is rapidly changing and additional impacts to the business may arise that we are not aware of currently. We cannot predict whether, when or the manner in which the conditions surrounding

COVID-19 will change, including the duration or re-emergence of restrictions and dining room closure requirements, staffing levels for reopened dining rooms and customer re-engagement with our brands.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 14 - Contingencies to the Notes to the Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report.

ITEM 1A. RISK FACTORS

In addition to the other information in this Form 10-Q report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 24, 2020, which could materially affect our business, financial condition or results of operations. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business, financial condition or results of operations. Therefore, the risks identified are not intended to be a complete discussion of all potential risks or uncertainties.

During the thirteen week period ended September 23, 2020, there have been no other material changes in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 24, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the fourth quarter of fiscal 2020, our share repurchase program was suspended due to the impact from the COVID-19 pandemic. During the thirteen week period ended September 23, 2020, we repurchased shares solely to satisfy team member tax withholding obligations on the vesting of restricted shares as follows (in millions, except per share amounts, unless otherwise noted):

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program ⁽²⁾
June 25, 2020 through July 29, 2020	—	\$ —	—	\$ 166.8
July 30, 2020 through August 26, 2020	0.0	37.09	—	166.8
August 27, 2020 through September 23, 2020	0.1	43.91	—	166.8
Total	0.1	41.53	—	

⁽¹⁾ These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company's shares on the date of vesting. During the thirteen week period ended September 23, 2020, 96 thousand shares were tendered by team members at an average price of \$41.53.

⁽²⁾ The final amount shown is as of September 23, 2020.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description
3.1	Certificate of Incorporation of Registrant, as amended ⁽¹⁾
3.2	Bylaws of Registrant ⁽²⁾
10(a)	Registrant's Terms of F21 Restricted Stock Unit Award*
10(b)	Registrant's Performance Share Plan ⁽³⁾
10(c)	Seventh Amendment to Credit Agreement dated July 23, 2020 ⁽⁴⁾
10(d)	BLT Change in Control Agreement*
31(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant and President of Chili's Grill & Bar, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a)*
31(b)	Certification by Joseph G. Taylor, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a)*
32(a)	Certification by Wyman T. Roberts, President and Chief Executive Officer of the Registrant and President of Chili's Grill & Bar, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32(b)	Certification by Joseph G. Taylor, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase
104	The cover page from the Registrant's Quarterly Report on Form 10-Q for the thirteen week period ended September 23, 2020 is formatted in Inline XBRL.

* Filed herewith.

- (1) Filed as an exhibit to Annual Report on Form 10-K for fiscal year ended June 28, 1995 and incorporated herein by reference.
- (2) Filed as an exhibit to Annual Report on Form 10-K for fiscal year ended June 27, 2018 and incorporated herein by reference.
- (3) Filed as an exhibit to Form 8-K, with date of report of August 20, 2020 and incorporated herein by reference.
- (4) Filed as an exhibit to Form 8-K, with date of report of July 23, 2020 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

Date: October 28, 2020

By: /S/ WYMAN T. ROBERTS
Wyman T. Roberts,
President and Chief Executive Officer
of Brinker International, Inc.
and President of Chili's Grill & Bar
(Principal Executive Officer)

Date: October 28, 2020

By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**BRINKER INTERNATIONAL, INC.
TERMS OF F2021
RESTRICTED STOCK UNIT AWARD**

[Grant Date]

Brinker International, Inc. (the “Company”), acting pursuant to Section 3 of the Brinker International, Inc. Stock Option and Incentive Plan (the “Plan”), hereby awards to you (the “Participant”) a grant of such number of Restricted Stock Units as specified in your award letter (the “Award”). For purposes of the Award, a “Restricted Stock Unit” means the right to receive a share of Stock, subject to the satisfaction of all applicable terms and conditions. The Award is in all respects subject to the provisions of the Plan (the terms of which are incorporated herein by reference), these Award terms (the “Award Terms”) and your award letter.

1. Definitions. For purposes of the Award, the terms listed below are defined as follows:

a. Cause. The term “Cause” means one or more of the following:

(i) An act of fraud, misappropriation or embezzlement by the Participant in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board or executive committee thereof;

(ii) Gross mismanagement or gross neglect of the Participant’s duties to the Company or a Related Company and its policies, procedures or guidelines as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or

(iii) Conviction of the Participant by a court of competent jurisdiction of a felony.

b. Change in Control. The term “Change in Control” means:

(i) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or

(ii) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) by any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or

(iii) the failure at any annual or special meetings of the Company’s shareholders held during the three-year period following a “solicitation in opposition” as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons

nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

c. Code Section 409A. The term “Code Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder.

d. Disability. Except as otherwise provided by the Committee, the Participant will be considered to have a “Disability” during the period in which the Participant is unable, by reason of a medically determinable physical or mental impairment, to engage in any substantial gainful activity, which condition is expected to have a duration of not less than 120 days.

e. Executive Participant. The term “Executive Participant” means a Participant who is the Chief Executive Officer of the Company or a member of the Brinker Leadership Team (being defined as any executive vice president or senior vice president of the Company) at the time an Award is granted to such Participant.

f. Good Reason. The term “Good Reason” means the satisfaction of all of the following requirements:

(i) One or more of the following facts and circumstances exist: (A) a reduction in the Executive Participant’s then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in the Executive Participant’s target annual bonus opportunity; (C) a relocation of the principal location at which the Executive Participant is required to provide services by more than fifty (50) miles; (D) the Company’s failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Award in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; (E) a material, adverse change in the Executive Participant’s title, reporting relationship, authority, duties or responsibilities; or (F) in the case of an Executive Participant who is the Chief Executive Officer of the Company only, a failure of any successor to the Company to nominate the Executive Participant for election by shareholders to the successor company’s board of directors; and

(ii) the Executive Participant shall have provided the Company written notice within thirty (30) days of his or her knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment must occur within thirty (30) days following expiration of such cure period.

g. Rule of 70. The term “Rule of 70” means that the sum of the Participant’s age and the Participant’s years of service with the Company or a Related Company equals or exceeds 70.

h. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used but not defined in these Award Terms will have the meaning set forth in the Plan.

2. Term of Restricted Stock Units. The “Restricted Period” for the Award is the period beginning on [Award Date] (the “Award Date”) and ending on **the three year anniversary of the Award Date**. The Participant will have no voting rights with respect to the Restricted Stock Units or any shares of Stock underlying the Restricted Stock Units until the shares of Stock are issued in settlement of the vested Restricted Stock Units.

3. Vesting.

a. General Rule. The Restricted Stock Units subject to the Award will become fully vested on the last day of the Restricted Period, provided the Participant has remained continuously employed by the Company or a Related Company through such date, except as otherwise specifically provided in this Award.

b. Death or Disability. Notwithstanding Section 3(a), if a Participant terminates employment with the Company and the Related Companies prior to the last day of the Restricted Period due to the Participant’s death or Disability, then all of the Restricted Stock Units subject to the Participant’s Award will become fully vested as of the date of such termination.

c. Retirement At or After Age 60. Notwithstanding Section 3(a), if a Participant ceases to be employed with the Company and the Related Companies prior to the last day of the Restricted Period, and as of the date of the termination the Participant (i) has satisfied the Rule of 70 and is at least age 60, or (ii) is at least age 65 regardless of satisfaction of the Rule of 70, then a pro-rata number of the Restricted Stock Units subject to the Participant’s Award will become vested as of the date of such termination, with such pro-rata number to be based on the number of complete months the Participant was employed by the Company or a Related Company during the Restricted Period, divided by the total number of complete months in the Restricted Period. Notwithstanding the foregoing, if a Participant satisfies the conditions in (i) or (ii) of the first sentence of this paragraph, then the Committee may allow the full vesting of all the Restricted Stock Units subject to the Participant’s Award if the Committee determines, in its discretion, that the Participant has made satisfactory contributions to set the Company on a successful trajectory for the period after the Participant’s retirement, including the Participant’s satisfactory transition of responsibilities to a successor.

d. Involuntary Termination.

(i) *Involuntary Termination Without Cause Not Following a Change in Control*. Notwithstanding the provisions of Section 3(a), if the Participant is involuntarily terminated for a reason other than for Cause prior to the last day of the Restricted Period, the Participant will vest, as of the date of such termination, in a pro-rata number of the Restricted Stock Units subject to the Participant’s Award based on the number of complete months that the Participant was employed by the Company or a Related Company during the Restricted Period, divided by the total number of complete months in the Restricted Period.

(ii) *Involuntary Termination Without Cause or Termination (by Executive Participants only) for Good Reason Following a Change in Control.* Notwithstanding the provisions of Sections 3(a) and 3(d)(i), in the event there has been a Change in Control during the Restricted Period and the Awards were not vested in connection with the Change in Control pursuant to Section 3(e), then if a Participant is involuntarily terminated for a reason other than Cause or if an Executive Participant terminates for Good Reason following the Change in Control and prior to the last day of the Restricted Period, all of the Restricted Stock Units subject to the Participant's Award will become fully vested as of the date of such termination.

e. Change in Control. Notwithstanding the provisions of Section 3(a), in the event of a Change in Control, if the Awards are not assumed or replaced with awards of substantially equal value by the acquiring entity in such a Change in Control and/or cease to remain outstanding immediately following the Change in Control, all of the Restricted Stock Units subject to a Participant's Award will become fully vested as of the date immediately preceding such Change in Control, provided the Participant has remained continuously employed by the Company or a Related Company through such date. After a Change in Control, references to the "Company" as they relate to the Award shall refer to the successor entity.

f. Most Favorable Provision Applies. For the avoidance of doubt, if two or more of Sections 3(a) through 3(e) above apply, then the applicable Section that results in the Participant vesting in the greatest number of Restricted Stock Units shall control.

4. Forfeiture. Except as otherwise provided in Section 3, if the Participant ceases to be employed prior to the end of the Restricted Period, the Participant will immediately forfeit any Restricted Stock Units remaining unvested as of the date of the Participant's termination, and the Participant will not be entitled to any payment with respect to such Restricted Stock Units. Notwithstanding any provision of the Plan or these Award Terms to the contrary, the Participant will forfeit any Restricted Stock Units (including any vested portion) immediately and without notice upon (A) the termination of the Participant's employment for Cause, (B) the Participant's breach of any confidentiality agreement or similar agreement pertaining to the confidentiality and nondisclosure of proprietary information, including but not limited to trade secrets, of the Company or any Related Company, or (C) the Participant's commission of any act of malfeasance or wrongdoing affecting the Company or any Related Company. Furthermore, and notwithstanding Section 3, if subsequent to the Participant's termination of employment with the Company or any Related Company (other than due to a termination following a Change in Control without Cause or for Good Reason, if applicable), and within one year following such date the Participant becomes employed by, consults with, and/or participates as an officer, director, employee, independent contractor, adviser, consultant, partner, principal, or shareholder (with more than five percent (5%) equity) with any entity which owns and/or operates (either directly or indirectly) or is engaged, or planning to be engaged (either directly or indirectly) in the ownership and/or operation of any of the "Competitive Restaurants" listed below or any successor thereto, then the Participant's Award (including any vested portion) will be immediately forfeited and, to the extent Stock or other applicable consideration has been issued to the Participant in settlement of the Award, to the extent permissible under applicable law, the Participant shall be required to immediately return such consideration to the Company.

1	Applebee's	30	Lazy Dog
2	Beef O'Brady's	31	Longhorn Steakhouse
3	Bertucci's	32	Miller's Ale House Restaurant
4	BJ's Restaurants	33	Morton's
5	Bonefish Grill	34	North Italia
6	BRAVO! Cucina Italiana	35	O'Charleys
7	Brio Tuscan Grille	36	Olive Garden
8	Bubba's 33	37	On The Border
9	Buca di Beppo	38	Outback Steakhouse
10	Buffalo Wild Wings	39	Panera
11	California Pizza Kitchen	40	PF Chang's China Bistro
12	Carino's Italian Grill	41	Pizza Hut
13	Carraba's Italian Grill	42	Red Robin
14	Cheddar's Scratch Kitchen	43	Romano's Macaroni Grill
15	Cheesecake Factory	44	Ruby Tuesday
16	Chipotle Mexican Grill	45	Ruth's Chris Steak House
17	Chuy's	46	Saltgrass Steak House
18	Cracker Barrel	47	Seasons 52
19	Dave & Busters	48	Shake Shack
20	Dickey's Barbecue	49	Texas Roadhouse
21	Firebirds Wood Fired Grill	50	TGI Fridays
22	Fleming's Prime Steakhouse	51	The Capital Grille
23	Fogo De Chao	52	The Old Spaghetti Factory
24	Fuddruckers	53	Top Golf
25	Hooters	54	True Food Kitchen
26	Houlihans	55	Uno Chicago Grill
27	Houston's/Hillstone	56	Wingstop
28	Il Fornaio Restaurant	57	Yard House
29	KFC		

5. Payment. Each vested Restricted Stock Unit will entitle the Participant to receive one share of Stock (or other consideration of equal value, as determined by the Committee, in the event payment is made following a Change in Control). Subject to Section 6, shares of Stock (or other consideration, as applicable) will be issued to the Participant in full settlement of vested Restricted Stock Units during the 60-day period immediately following the date on which such Restricted Stock Units first became vested pursuant to Section 3. At no other time prior to the end of the Restricted Period will any Stock (or other consideration, as applicable) be issued for Restricted Stock Units pursuant to the Award. After the issuance of Stock (or other consideration, as applicable) to the Participant, the Participant will own such Stock (or other consideration, as applicable) free of all restrictions described herein. The Participant will not have the right to designate the taxable year of payment.

6. Section 409A.

a. Although the Company does not guarantee the tax treatment of any payments or benefits under this Award, the intent of the Company is that the payments and benefits under this Award be exempt from, or comply with, Code Section 409A and to the maximum extent permitted the Award Terms and the award letter shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company, the Related Companies, their affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or damages for failing to comply with Code Section 409A.

b. Notwithstanding the foregoing or any other provision of this Award to the contrary, if at the time of a Participant's "separation from service" (within the meaning of Code Section 409A), the Participant is a "Specified Employee," then the Company will defer the payment of any nonqualified deferred compensation subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). A Participant will be a "Specified Employee" for purposes of this Award if, on the date of the Participant's separation from service, the Participant is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a "Specified Employee" within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a "Specified Employee" and the application of and effects of the change in such determination.

c. Notwithstanding anything in these Award Terms, the award letter or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Award providing for the payment of any amounts or benefits that constitute "non-qualified deferred compensation" within the meaning of Code Section 409A upon or following a termination of a Participant's employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Award, references to a "termination," "termination of employment" or like terms shall mean "separation from service" and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

7. Dividends. The Participant will not be entitled to receive any cash dividends or dividend equivalents with respect to the Restricted Stock Units before they are settled pursuant to Section 5. However, to the extent that, and at the same time as, shares of Stock are issued under Section 5, the Participant (or the Participant's beneficiary) will also receive a lump sum cash payment equal to the amount of cash dividends that are paid or declared by the Company during the Restricted Period (but prior to the date of payment of the Award pursuant to Section 5) on the number of shares of Stock (if any) issued to the Participant (or the Participant's beneficiary).

8. Capital Adjustments and Reorganizations. The number of Restricted Stock Units covered by the Award will be subject to equitable adjustment, as determined by the Committee, to reflect any stock dividend, stock split, share combination, separation, reorganization, liquidation or the like, of or by the Company. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for the Award such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection with such substitution the surrender of the Award so replaced.

9. Clawback Provisions. If the Participant is an officer of the Company (“Officer”) and the Board, or an appropriate committee thereof, has determined that any fraud, negligence, or intentional misconduct by the Officer was a significant contributing factor to the Company having to restate all or a portion of its financial statement(s), the Board or committee shall take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. In determining what remedies to pursue, the Board or committee will take into account all relevant factors, including whether the restatement was the result of fraud, negligence, or intentional misconduct. The Board will, to the extent permitted by applicable law, in all appropriate cases, require reimbursement of any bonus or incentive compensation paid to the Officer, cause the cancellation of restricted or deferred stock awards and outstanding stock options, and seek reimbursement of any gains realized on the exercise of stock options attributable to such awards, if and to the extent that (a) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a restatement, (b) the Officer engaged in any fraud or misconduct that caused or contributed to the need for the restatement, and (c) the amount of the bonus or incentive compensation that would have been awarded to the Officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board may dismiss the Officer, authorize legal action, or take such other action to enforce the Officer’s obligations to the Company as it may deem appropriate in view of all the facts surrounding the particular case. The Company will not seek to recover bonuses or other compensation as detailed above paid more than three years prior to the date the applicable restatement is disclosed.

10. Heirs and Successors. These Award Terms will be binding upon, and will inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company’s assets and business. Subject to the terms of the Plan, any benefits distributable to a deceased Participant will be distributed to the beneficiary designated by the Participant in writing filed with the Committee in such form as the Committee will require. If a deceased Participant has failed to designate a beneficiary, or if the designated beneficiary of the deceased Participant dies before the Participant or before complete distribution of benefits due under the Plan, the amounts to be distributed under the Plan will be distributed to the legal representative or representatives of the estate of the last to die of the Participant and the beneficiary.

11. Taxes, Transaction Costs and Withholding. The Participant will be solely responsible for the payment of all taxes and transaction costs relating to the granting, vesting and payment of the Award. It will be a condition to the obligation of the Company to issue or transfer shares of Stock or other applicable consideration that the Participant pay to the Company, upon its

demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state or local income or other taxes incurred in connection with the Award. If the amount requested is not paid, the Company may refuse to issue or transfer shares of Stock or other applicable consideration to the Participant (or to the Participant's beneficiary).

12. Administration. The authority to interpret and administer the terms and conditions of this Award will be vested in the Committee, and the Committee will have all powers with respect thereto as it has with respect to the Plan. Any interpretation of these Award Terms by the Committee and any decision made by it with respect to the Award is final and binding.

13. Relation to Plan. Notwithstanding anything in these Award Terms to the contrary, the Award will be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company. Any amendment to the Plan will be deemed to be an amendment to these Award Terms to the extent that the amendment is applicable hereto.

14. No Employment Contract. Nothing contained in these Award Terms will (a) confer upon the Participant any right to be employed by or remain employed by the Company or any Related Company, or (b) limit or affect in any manner the right of the Company or any Related Company to terminate the employment or adjust the compensation of the Participant.

15. Governing Law. The interpretation, performance, and enforcement of these Award Terms will be governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof and all parties, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Texas.

[End of document.]

CHANGE IN CONTROL SEVERANCE AGREEMENT

Brinker International Inc. (the “Company”), and _____ (“Executive”) (collectively, the “Parties”) agree to enter into this CHANGE IN CONTROL SEVERANCE AGREEMENT (“Agreement”) dated as of _____ 201__ (“Effective Date”) as follows:

1. TERM OF AGREEMENT.

The Agreement will commence as of the Effective Date and will terminate upon the date that all of the obligations of the Parties with respect to this Agreement have been satisfied.

2. AT WILL EMPLOYMENT.

The Company and Executive acknowledge that Executive’s employment is and will continue to be at-will. The Company may terminate the employment relationship at any time as described in Section 3.

3. TERMINATION OF EMPLOYMENT.

Executive’s employment may be terminated under any of the circumstances set forth in this Section 3. Upon termination, Executive (or his beneficiary or estate, as the case may be) shall be entitled to receive the compensation and benefits described in Section 4 below, and, if applicable, Section 5 or 6 below.

- (a) Death.** Executive’s employment shall terminate upon Executive’s death.
- (b) Total Disability.** The Company may terminate Executive’s employment upon [*his/her*] becoming “Totally Disabled.” For purposes of this Agreement, the term “Totally Disabled” shall mean the Executive is eligible to receive benefits under the long-term disability plan then sponsored by the Company, with no reasonable prospect of returning to normal full-time service. A determination of “Totally Disabled” shall be made by the Company in its sole discretion.
- (c) Termination by the Company for Cause.** The Company may terminate Executive’s employment for Cause at any time after providing written notice to Executive. For purposes of this Agreement, the term “Cause” shall mean:
 - (i)** An act of fraud, misappropriation or embezzlement by Executive in connection with the Company or a Related Company as determined by the affirmative vote of at least a majority of the Board of Directors of the Company (“Board”) or executive committee thereof;
 - (ii)** Gross mismanagement or gross neglect of the Executive’s duties to the Company or a Related Company and its policies, procedures or guidelines as determined by the affirmative vote of at least a majority of the Board or executive committee thereof; or
 - (iii)** Conviction of Executive by a court of competent jurisdiction of a felony.

For purposes of this Agreement, the term “Related Company” means any company during any period in which it is a “parent company” (as that term is defined in Section 424(e) of the Internal Revenue Code (the “Code”)) with respect to the Company, or a “subsidiary corporation” (as that term is defined in Section 424(f) of the Code) with respect to the Company.

- (d) **Termination by the Company without Cause.** The Company may terminate Executive's employment without Cause at any time after providing written notice to Executive.
- (e) **Termination by Executive without Good Reason.** Executive may terminate **his/her** employment under this Agreement without Good Reason after providing not less than thirty (30) days' advance written notice to the Company.
- (f) **Termination by Executive for Good Reason.** Executive may terminate **his/her** employment under this Agreement for Good Reason. The term "Good Reason" means the satisfaction of all of the following requirements:
 - (i) One or more of the following facts and circumstances exist without Executive's consent: (A) a reduction in Executive's then current base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (B) a reduction in Executive's target annual bonus opportunity; (C) a relocation of the principal location at which Executive is required to provide services by more than fifty (50) miles; (D) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operations of law; or (E) a material, adverse change in Executive's title, reporting relationship, authority, duties or responsibilities; and
 - (ii) Executive shall have provided the Company written notice within thirty (30) days of **his/her** knowledge or reason to know of the existence of any fact or circumstance constituting Good Reason, the Company shall have failed to cure or eliminate such fact(s) or circumstance(s) within thirty (30) days of its receipt of such notice, and the resulting termination of employment occurs within thirty (30) days following expiration of such cure period.

4. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

Upon termination of Executive's employment under this Agreement for any reason, Executive (or **his/her** designated beneficiary or estate, as the case may be) shall be entitled to receive the following compensation:

- (a) **Earned but Unpaid Compensation, Expense Reimbursement.** The Company shall pay Executive any accrued but unpaid base salary for services rendered to the date of termination and any accrued but unpaid expenses required to be reimbursed under this Agreement.
- (b) **Other Compensation and Benefits.** Except as may be provided under this Agreement,
 - (i) any benefits to which Executive may be entitled pursuant to the Company's plans, policies and arrangements shall be determined and paid in accordance with the terms of such plans, policies and arrangements, and
 - (ii) Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

If the requirements of Section 5 or 6 are satisfied, the Company shall also pay Executive the amounts described in Section 5 or 6, as applicable. For the avoidance of doubt, in no event shall Executive be paid amounts under both Sections 5 and 6.

5. ADDITIONAL COMPENSATION PAYABLE FOLLOWING TERMINATION WITHOUT CAUSE PRIOR TO A CHANGE IN CONTROL OR MORE THAN TWO YEARS FOLLOWING A CHANGE IN CONTROL.

In addition to the compensation set forth in Section 4 above, if Executive's employment is terminated by the Company pursuant to Section 3(d) above (Termination by the Company without Cause) prior to a Change in Control or more than two (2) years following a Change in Control, Executive will be eligible to receive severance pursuant to the Company's then current severance plan for executive officers of the Company, if any, subject to the terms and conditions of such plan.

6. ADDITIONAL COMPENSATION PAYABLE FOLLOWING TERMINATION WITHOUT CAUSE OR FOR GOOD REASON WITHIN TWO YEARS FOLLOWING A CHANGE IN CONTROL.

(a) Requirements for Additional Compensation. In addition to the compensation set forth in Section 4 above, and in lieu of any severance benefits under the Company's then current severance plan for executive officers of the Company, Executive will receive the additional compensation set forth in subsection (b) below, if the following requirements are met:

- (i)** Executive's employment is terminated by the Company pursuant to Section 3(d) above (Termination by the Company without Cause) or by Executive pursuant to Section 3(f) (termination by Executive for Good Reason) within two (2) years following a Change in Control;
- (ii)** Executive strictly abides by the restrictive covenants set forth in Section 10 below; and
- (iii)** Executive executes (and does not revoke) a separation agreement and release in a form satisfactory to the Company on or after his employment termination date, but no later than the date required by the Company in accordance with applicable law.

(b) Additional Compensation. The Company shall provide Executive with the following compensation and benefits:

- (i)** An amount equal to twelve (12) months of Executive's then current base salary PLUS an amount equal to Executive's target bonus for the year of termination under the applicable Brinker International, Inc. Profit Sharing Plan in a lump sum within sixty (60) days after the date of Executive's termination; plus
- (ii)** Subject to (x) Executive's timely election of continuation coverage under COBRA, and (y) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company, continued payment by the Company of his health insurance coverage during the twelve (12) month period following the date of termination to the same extent that the Company paid for such coverage immediately prior to the date of termination, subject to the eligibility requirements and other terms and conditions of such insurance coverage.

The treatment of Executive's outstanding equity awards, if any, upon termination shall be determined in accordance with the applicable equity plan documents.

7. CHANGE IN CONTROL.

- (a) For purposes of this Agreement, "Change in Control" shall mean the definition of "Change in Control" in the Company's then current fiscal year Profit Sharing Plan, or if none or if there is no such plan:
- (i) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or
 - (ii) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934 ("Exchange Act")) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or
 - (iii) the failure at any annual or special meetings of the Company's shareholders held during the three-year period following a "solicitation in opposition" as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three-year period), excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

8. EXCLUSIVE REMEDY.

In the event of a termination of Executive's employment, the provisions of Section 4 and 5 or 6(b), as applicable, are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive otherwise may be entitled, whether at law, tort or contract, in equity, or under this Agreement. Executive will be entitled to no benefits, compensation or other payments or rights upon a termination of employment other than those benefits expressly set forth in Section 4 and 5 or 6(b), as applicable, of this Agreement.

9. LIMITATION ON PAYMENTS.

- (a) In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) but for this Section 9, would be subject to the excise tax imposed by Section 4999 of the Code, then any post-termination severance benefits payable under this Agreement or otherwise will be either:
- (i) delivered in full, or
 - (ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

- (b) If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards (by cutting back performance-based awards first and then time-based awards, based on reverse order of vesting dates (rather than grant dates)), if applicable; and (iii) reduction of employee benefits.
- (c) Unless the Company and Executive otherwise agree in writing, any determination required under this Section 9 will be made in writing by the Company’s independent public accountants or by such other person or entity to which the Parties mutually agree (the “Firm”), whose determination will be conclusive and binding upon Executive and the Company. For purposes of making the calculations required by this Section 9, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 9.

10. RESTRICTIVE COVENANTS.

- (a) Confidential Information/Competitive Business.
 - (i) **Confidential Information and Trade Secrets.** Executive agrees that during the course of employment with the Company, Executive has and will come into contact with and have access to various forms of Confidential Information and Trade Secrets, which are the property of the Company. This information relates both to the Company, its customers, suppliers, vendors, contractors, consultants, and employees. For purposes of this Agreement, “Confidential Information and Trade Secrets” shall include, but shall not be limited to:
 - (A) business plans and strategy, marketing and expansion plans, pricing information, sales information, technological information, food and beverage processes, recipes and the like, product information, specifications, inventions, research, policies, processes, creative projects, methods and intangible rights, computer software, source code, marketing techniques and arrangements, information about the Company’s active and prospective customers, suppliers, vendors, contractors, consultants, and other business relationships, or any non-public operational, business or financial information relating to the Company or any of its parents, subsidiaries, or affiliates; and
 - (B) the identity of the Company’s employees, their salaries, bonuses, incentive compensation, benefits, qualifications, and abilities,

all of which information Executive acknowledges and agrees is not generally known or available to the general public, but has been developed, compiled or acquired by the

Company at its great effort and expense. Confidential Information and Trade Secrets can be in any form – oral, written or machine readable, including electronic files.

- (ii) **Secrecy of Confidential Information and Trade Secrets Essential.** Executive acknowledges and agrees that the Company is engaged in a highly competitive business and that its competitive position depends upon its ability to maintain the confidentiality of the Confidential Information and Trade Secrets which were developed, compiled and acquired by the Company over a considerable period of time and at its great effort and expense. Executive further acknowledges and agrees that any disclosure, divulging, revelation or use of any of the Confidential Information and Trade Secrets, other than in connection with the Company's business or as specifically authorized by the Company, will be highly detrimental to the Company, and that serious loss of business and pecuniary damage may result therefrom.
- (b) **Non-Disclosure of Confidential Information.** Executive agrees that, except as specifically required in the performance of [*his/her*] duties on behalf of the Company, Executive will not directly or indirectly use, disclose or disseminate to any other person, organization or entity, any of the Company's Confidential Information and Trade Secrets, either during the period of Executive's employment or at any time thereafter. Executive further agrees to maintain the Company's Confidential Information and Trade Secrets in strict confidence and to use all commercially reasonable efforts to not allow any unauthorized access to, or disclosure of, the Company's Confidential Information and Trade Secrets. Executive agrees not to save or store Confidential Information or Trade Secrets outside the Company's password protected computer systems such as on a personal USB thumb drive, backup drive, home computer, personal phone, email account or cloud storage.
- (c) **Return of Material.** Executive agrees that, upon the termination of [*his/her*] employment for any reason, and immediately upon request of the Company at any time, [*he/she*] will promptly return (and shall not delete, destroy or modify) all property, including any originals and all copies of any documents, whether stored on computers or in hard copy, obtained from the Company, or any of its current, former or prospective customers, suppliers, vendors, employees, contractors, and consultants, whether or not Executive believes it qualifies as Confidential Information and Trade Secrets. Such property shall include everything obtained during and as a result of Executive's employment with the Company, other than documents related to Executive's compensation and benefits, such as pay stubs and benefit statements. In addition, Executive shall also return any phone, facsimile, printer, scanner, computer, electronic data storage device, or other items or equipment provided by the Company to Executive to perform [*his/her*] employment responsibilities during [*his/her*] employment with the Company. If Executive has saved or stored Confidential Information and Trade Secrets outside the Company's password protected computer systems such as on a personal USB thumb drive, backup drive, home computer, personal phone, email account or cloud storage, Executive agrees to tender the device or location to the Company for removal of the Confidential Information and Trade Secrets. Executive further agrees that [*he/she*] shall not access or attempt to access the Company's computer systems after the termination of Executive's employment with the Company. Executive also agrees that [*he/she*] does not have a right of privacy to any communications sent through the Company's electronic communications systems (including, without limitation, emails, phone calls and voicemail) and that the Company may monitor, retain, and review all such communications in accordance with applicable law.

- (d) **No Competitive Activity.** Executive acknowledges and agrees that the Company is engaged in a highly competitive business and that by virtue of Executive's position and responsibilities with the Company and Executive's access to the Confidential Information and Trade Secrets, engaging in any business which is directly competitive with the Company will cause the Company great and irreparable harm. Therefore, Executive covenants and agrees that at all times
- (i) during **[his/her]** period of employment with the Company, and
 - (ii) in the event **[his/her]** employment is terminated involuntarily by the Company (whether such termination is for Cause or without Cause, or otherwise), or Executive terminates **[his/her]** employment for Good Reason within two (2) years following a Change in Control, during the period beginning on the date of termination of **[his/her]** employment and ending twelve (12) months following **[his/her]** date of termination,

Executive shall not, directly or indirectly, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever, in any Competitive Business within the Restricted Territory. For purposes of this Agreement, "Competitive Business" means any of the following restaurants:

- | | |
|---------------------------------|----------------------------------|
| 1 Ale House Restaurant | 29 Landry's Seafood |
| 2 Applebee's | 30 Legal Sea Foods |
| 3 Beef O'Brady's | 31 Longhorn Steakhouse |
| 4 Bennigan's Tavern | 32 McCormick & Schmick's |
| 5 BJ's Restaurant and Brewhouse | 33 McDonald's |
| 6 Bonefish Grill | 34 Miller's Ale House Restaurant |
| 7 BRAVO! Cucina Italiana | 35 Morton's of Chicago |
| 8 Brio Tuscan Grille | 36 O'Charleys |
| 9 Buca di Beppo | 37 Olive Garden |
| 10 Buffalo Wild Wings | 38 On The Border |
| 11 California Pizza Kitchen | 39 Outback Steakhouse |
| 12 Carino's Italian Grill | 40 Palm Restaurant |
| 13 Carraba's Italian Grill | 41 Panera |
| 14 Champps Americana | 42 Pappadeaux Seafood Kitchen |
| 15 Cheddar's Casual Café | 43 PF Chang's China Bistro |
| 16 Cheesecake Factory | 44 Pizza Hut |
| 17 Chipotle Mexican Grill | 45 Red Robin |
| 18 Chuy's | 46 Romano's Macaroni Grill |
| 19 Cracker Barrel | 47 Ruby Tuesday |
| 20 Dave & Busters | 48 Ruth's Chris Steak House |
| 21 Fogo De Chao | 49 Seasons 52 |
| 22 Fuddruckers | 50 Taco Bell |
| 23 Hooters | 51 Texas Roadhouse |
| 24 Houlihans | 52 TGI Fridays |
| 25 Houston's/Hillstone | 53 Uno Chicago Grill |
| 26 Il Fornaio Restaurant | 54 Wendy's |
| 27 J Alexanders | 55 Yard House |
| 28 KFC | |

For purposes of this Agreement, the “Restricted Territory” means the United States of America.

- (e) **Non-Solicitation of Employees.** Executive acknowledges and agrees that solely as a result of employment with the Company, Executive has and will come into contact with and acquire Confidential Information and Trade Secrets regarding some, most, or all of the Company’s employees. Therefore, Executive covenants and agrees that at all times
- (i) during [his/her] period of employment with the Company, and
 - (ii) during the period beginning on the date of termination of [his/her] employment (whether such termination is voluntary or involuntary, with Good Reason or without Good Reason, for Cause or without Cause, or otherwise) and ending twenty-four (24) months following [his/her] date of termination,

Executive shall not, either on Executive’s own account or on behalf of any person, firm, or business entity, recruit, solicit, interfere with, or endeavor to cause any employee of the Company with whom Executive came into contact or about whom Executive obtained Confidential Information and Trade Secrets, to leave his or her employment with the Company, or to work in a capacity that is competitive with the Company, or to work in a capacity that is similar to the capacity in which the employee was employed by the Company.

- (f) **Non-Disparagement.** Executive covenants and agrees that during the course of [his/her] employment by the Company and at any time thereafter, Executive shall not, directly or indirectly, in public or private, deprecate, impugn, disparage, or make any remarks that would tend to or be construed to tend to defame the Company, its products or services, or any of its officers, directors, employees, or agents; nor shall Executive assist any other person, firm or company in so doing.
- (g) **Defend Trade Secrets Act of 2016.** Under the federal Defend Trade Secrets Act of 2016, Executive understands that [he/she] shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to an attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Executive further understands that the Company will not retaliate against [him/her] in any way for a disclosure made in accordance with the law.
- (h) **Equity Award.** As additional consideration for the restrictive covenants set forth in this Section 10, and to incentivize Executive to achieve the highest level of individual performance and to benefit from the long-term growth and profitability of the Company, the Company agrees that it will grant Executive an additional award of _____ when it makes the next annual equity grant to Executive, which is scheduled to be made in August 2017.

11. ENFORCEMENT OF COVENANTS.

- (a) **Termination of Employment and Forfeiture of Compensation.** Executive agrees that in the event that the Company determines that [he/she] has breached any of the covenants set forth in Section 10 above during [his/her] employment, the Company shall have the right to terminate [his/her] employment for Cause. In addition, Executive agrees that if the Company determines

that [he/she] has breached any of the covenants set forth in Section 10 at any time, the Company shall have the right to discontinue any or all remaining benefits payable pursuant to Section 5 or 6 above, as applicable. Such termination of employment or discontinuance of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive and the separation agreement and release set forth in Section 6(a)(iii) shall remain in full force and effect.

- (b) **Right to Injunction.** Executive acknowledges and agrees that compliance with the covenants set forth in this Agreement is necessary to protect the business and goodwill of the Company and any breach of the covenants set forth in Section 10 above will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach or anticipatory breach of the covenants set forth in Section 10 by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to any remedies otherwise available to it at law or equity: (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in Section 10.
- (c) **Severability of Covenants.** If in any judicial proceeding, a court shall hold that any covenant set forth in Section 10 is not permitted by applicable law, then Executive and the Company agree that such covenant shall be reformed to the maximum time, geographic, or scope limitations permitted by such law. Further, in the event a court shall hold that any of the covenants set forth in Section 10 are unenforceable and cannot be reformed, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 10 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants set forth in Section 10. In the event Executive fails to comply with any of the covenants as written, challenges the enforceability of any of the covenants, or if any of the covenants are found to be unenforceable and not susceptible to reformation, the Company shall have the right to discontinue any or all remaining benefits payable pursuant to Section 5 or 6 above, as applicable.

12. WITHHOLDING OF TAXES.

The Company shall withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

13. NO CLAIM AGAINST ASSETS.

Nothing in this Agreement shall be construed as giving Executive any claim against any specific assets of the Company or as imposing any trustee relationship upon the Company in respect of Executive. The Company shall not be required to establish a special or separate fund or to segregate any of its assets in order to provide for the satisfaction of its obligations under this Agreement. Executive's rights under this Agreement shall be limited to those of an unsecured general creditor of the Company and its affiliates.

14. SUCCESSORS AND ASSIGNMENT.

- (a) Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective heirs, representatives, successors and assigns. The rights and benefits of Executive under this Agreement are personal to him and no such right or benefit shall be subject to voluntary or involuntary alienation, assignment or transfer.
- (b) Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise), or to all or substantially all of the Company's business and/or assets, will assume the obligations under this Agreement and will agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession.

15. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment. It may not be amended except by a written agreement signed by both Parties.

16. GOVERNING LAW; STATUTORY AND COMMON LAW DUTIES.

This Agreement shall be governed by the laws of the State of Texas without reference to its principles of conflict of law. This Agreement is intended to supplement, and not supersede, any remedies or claims that may be available to the Company under applicable common and/or statutory law, including, without limitation, any common law and/or statutory claims relating to the misappropriation of trade secrets and/or unfair business practices.

17. ARBITRATION.

- (a) **Matters Subject to Arbitration.** Brinker and Executive agree to arbitrate all disputes (except for those listed in the next section) involving legal or equitable rights which Brinker may have against Executive or Executive may have against Brinker, its affiliates, subsidiaries, divisions, predecessors, successors, assigns and their current and former employees, officers, directors, and agents, arising out of or in any manner related to the Agreement and the employment relationship between Brinker and Executive. This includes, for example, disputes about the terms and conditions of employment, wages and pay, leaves of absence, reasonable accommodation, or termination of employment. Such claims include, but are not limited to, those under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Family and Medical Leave Act, the Americans with Disabilities Act of 1990, Sections 1981 through 1988 of Title 42 of the United States Code, any state or local anti-discrimination, harassment, or wage laws (such as the Texas Commission on Human Rights Act), or any other federal, state, or local law, ordinance or regulation, or those based on any public policy, contract, tort, equitable theory, or common law or any claim for costs, fees, or other expenses or relief, including attorneys' fees. Matters covered by this Section 17(a) are subject to arbitration, not a court or jury trial.
- (b) **Matters Not Subject to Arbitration.** The following matters are not subject to arbitration: (i) claims for workers' compensation benefits; (ii) claims for unemployment compensation benefits;

(iii) claims based upon current (successor or future) stock option plans, or employee pension and/or welfare benefit plans, if those plans already contain some form of arbitration or other procedure for the resolution of disputes under the plan; (iv) claims which by federal law are not subject to mandatory arbitration, such as those statutory claims which the Dodd-Frank Wall Street Reform Act provides may not be subject to mandatory pre-dispute arbitration, but only to the extent federal law prohibits enforcement of the class, collective or representative action waiver (discussed in Section 17(c) below) with respect to these types of claims; and (v) claims included in any lawsuit or administrative proceeding to which Executive is a party and which are pending against Brinker prior to the date Executive signs the Agreement. Also, nothing in Section 17 of the Agreement limits Executive's ability to file a charge with a federal, state or local administrative agency (such as the National Labor Relations Board or the Equal Employment Opportunity Commission) and nothing in Section 17 of the Agreement limits a federal, state or local government agency from its pursuit of a claim in court or the remedies it may seek from a court.

- (c) **Class, Collective, or Representative Action Waiver.** Executive and Brinker agree that all disputes covered by Section 17(a) of the Agreement must be pursued on an individual basis only and, to the maximum extent permitted by law, Executive and Brinker waive the right to commence, be a party to, participate in, receive money or any other relief from, or amend any existing lawsuit to include, any representative, collective or class proceeding or claims or to bring jointly any claim covered by Section 17(a) of the Agreement. Executive and Brinker agree that neither Executive nor Brinker may bring a claim covered by Section 17(a) of the Agreement on behalf of other individuals or entities and an arbitrator may not: (a) combine more than one individual's claim or claims into a single case; (b) order, require, participate in or facilitate production of class-wide contact information or notification to others of potential claims; or (c) arbitrate any form of a class, collective, or representative proceeding. Nothing in this Agreement limits Executive's right to challenge the waiver of class, collective or representative actions in Section 17(a) of the Agreement.
- (d) **Authority to Resolve Disputes.** A court (and not any arbitrator) has the exclusive authority to resolve disputes about the interpretation, applicability, enforceability or formation of the class, collective, or representative action waiver provision in Section 17(c) of the Agreement, including but not limited to, any claim that the class, collective, or representative action waiver is void or voidable. That said, the arbitrator, and not any court, shall have exclusive authority to resolve disputes about the interpretation, applicability, enforceability or formation of any other provision of Section 17 of the Agreement including, but not limited to, any claim that any other part of Section 17 of the Agreement is void or voidable. If any provision, or any portion of any provision, of Section 17 of the Agreement is found to be unenforceable (by a court or arbitrator, as applicable), the court or arbitrator (as applicable) shall interpret or modify the provision, the portion of the provision, or Section 17 of the Agreement to the extent necessary for it to be enforceable. If a provision or portion of a provision is deemed unlawful or unenforceable, that provision or portion shall be severed, and, to the extent permitted by applicable law, Section 17 of the Agreement automatically and immediately shall be amended, modified and/or altered to be enforceable. If any portion of the class, collective, or representative action waiver is deemed unenforceable as to any particular claim, then such claim that is determined to be not subject to waiver shall proceed in court (subject to then applicable case law, defenses, and court orders concerning class certification and other matters) and not arbitration.

- (e) **Arbitration Rules.** The arbitration shall be arbitrated by a single arbitrator in accordance with the Employment Arbitration Rules of the American Arbitration Association (“AAA”). A copy of the current AAA Employment Arbitration Rules is available for Executive to review at www.adr.org. Executive may obtain a hard copy of the AAA Employment Arbitration Rules at www.adr.org or from Executive’s PeopleWorks Partner. Executive also may contact AAA to request a copy of these rules at 1101 Laurel Oak Road, Suite 100, Voorhees, NJ 08043, Toll Free No. 877-495-4185. For claims against Brinker, notice must be sent to the AAA and also to Brinker: General Counsel, Brinker International, 6820 LBJ Freeway, Dallas, TX 75240. Brinker will send notices of claims to the AAA and also to the last known address of Executive.
- (f) **Miscellaneous.**
- (i) Arbitrations shall take place in or near the city where Executive works or last worked for Brinker.
 - (ii) Each party is entitled to representation by an attorney of its choice throughout the arbitration at its own expense.
 - (iii) Brinker will pay the arbitration filing fees, and the fees of the arbitrator, even if the arbitration is initiated by Executive, and Brinker will also reimburse Executive for any administrative filing fees the AAA requires Executive to pay. Except for the fees for the arbitrator and the administration of the arbitration, both of which shall be paid by Brinker, each party shall otherwise bear its own costs and fees associated with the arbitration, unless provided by Section 17 of the Agreement, the AAA Employment Arbitration Rules, applicable law, operation of law, or awarded by the arbitrator in the final, written decision.
 - (iv) The Federal Rules of Civil Procedure (except for Rule 23) and Federal Rules of Evidence, which are the rules that would apply if the matter proceeded in a federal court, shall apply throughout the arbitration, unless modified by the mutual agreement of the Parties. If there is a conflict between Section 17 of the Agreement and those rules, Section 17 of the Agreement prevails.
 - (v) The law of the state in which Executive works or most recently worked for Brinker (without regard for its conflict of law principles) will govern the substance of the claim.
 - (vi) Section 17 of the Agreement shall not limit any party’s right to obtain any provisional or equitable remedy, including, without limitation, temporary restraining orders and injunctive relief from any court of competent jurisdiction, as may be necessary in the sole judgment of such party to protect its rights.
 - (vii) The arbitrator may award individual relief only. The arbitrator’s decision shall be final and binding on the parties, their heirs, executors, administrators, successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The arbitrator shall have the power to award the same damages (subject to applicable statutory or other limitations) or legal or equitable relief that would have been available in a court of competent jurisdiction including, but not limited to, any remedy or relief that the arbitrator deems just and equitable and which is authorized by applicable law, including but not limited to, attorneys’ fees available under applicable law.

- (viii) All orders of the arbitrator (except evidentiary rulings at the arbitration) will be in writing and subject to review pursuant to the Federal Arbitration Act (“FAA”). Executive and Brinker agree that the FAA shall govern Section 17 of the Agreement.

To the extent Section 17 of the Agreement conflicts with the Employment Arbitration Rules of the AAA, the express provisions of Section 17 of the Agreement shall prevail.

18. SECTION 409A

- (a) Although the Company does not guarantee the tax treatment of any payments under the Agreement, the intent of the Parties is that the payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Code and all Treasury Regulations and guidance promulgated thereunder (“Code Section 409A”) and to the maximum extent permitted the Agreement shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company or its affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A.
- (b) Notwithstanding any other provision of this Agreement to the contrary, to the extent that any reimbursement of expenses constitutes “deferred compensation” under Code Section 409A, such reimbursement shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.
- (c) For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), the right to receive payments in the form of installment payments shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment. Whenever a payment under this Agreement may be paid within a specified period, the actual date of payment within the specified period shall be within the sole discretion of the Company.
- (d) Notwithstanding any other provision of this Agreement to the contrary, if at the time of Executive’s separation from service (as defined in Code Section 409A), Executive is a “Specified Employee”, then the Company will defer the payment or commencement of any “nonqualified deferred compensation” subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). Executive will be a “Specified Employee” for purposes of this Agreement if, on the date of Executive’s separation from service, Executive is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a “Specified Employee” within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a “Specified Employee” and the application of and effects of the change in such determination.

- (e) Notwithstanding anything in this Agreement or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute “nonqualified deferred compensation” within the meaning of Code Section 409A upon or following a termination of the Executive’s employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

19. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by nationally recognized overnight courier services, by registered or certified mail, return receipt requested, by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:

[insert address]
Attention: _____

To Executive:

[insert address]

20. MISCELLANEOUS.

- (a) **Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) **Separability.** If any term or provision of this Agreement above is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) **Headings.** Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) **Rules of Construction.** Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) **Counterparts.** This Agreement may be executed via electronic signature and in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year set forth below.

BRINKER INTERNATIONAL, INC.

EXECUTIVE

By: _____

Name: _____

Date: _____

Title: _____

Address: _____

Date: _____

By: _____

Name: _____

Date: _____

Title: _____

Address: _____

Date: _____

CERTIFICATION

I, Wyman T. Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2020

By: /S/ WYMAN T. ROBERTS

Wyman T. Roberts,
*President and Chief Executive Officer
of Brinker International, Inc.
and President of Chili's Grill & Bar
(Principal Executive Officer)*

CERTIFICATION

I, Joseph G. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2020

By: /S/ JOSEPH G. TAYLOR

Joseph G. Taylor,

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 23, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 28, 2020

By: /S/ WYMAN T. ROBERTS

Wyman T. Roberts,
*President and Chief Executive Officer
of Brinker International, Inc.
and President of Chili’s Grill & Bar
(Principal Executive Officer)*

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 23, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 28, 2020

By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)