

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

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 29, 2019



BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-10275

(Commission File Number)

75-1914582

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

3000 OLYMPUS BLVD, DALLAS, TEXAS, 75019

(Address of Principal Executive Offices, and Zip Code)

(972) 980-9917

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Trading Symbol(s)</u> | <u>Name of exchange on which registered</u> |
|--------------------------------|--------------------------|---|
| Common Stock, \$0.10 par value | EAT | New York Stock Exchange |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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. o

SECTION 2 – FINANCIAL INFORMATION

Item 2.02. Results of Operations and Financial Conditions.

The information contained under this Item 2.02 and Item 7.01 in this Current Report on Form 8-K, including the Exhibit attached hereto, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Furthermore, the information contained in this Current Report on Form 8-K shall not be deemed to be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended.

On April 30, 2019, Brinker International, Inc. (“Company”) issued a Press Release announcing its third quarter of fiscal 2019 results. A copy of this Press Release is attached hereto as Exhibit 99.1.

SECTION 7 – REGULATION FD

Item 7.01. Regulation FD Disclosure.

At its April 29, 2019 meeting, the Board of Directors of the Company declared a quarterly dividend of \$0.38 per share on the common stock of the Company. The dividend will be payable on June 27, 2019 to shareholders of record as of June 7, 2019.

SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release dated April 30, 2019.

SIGNATURE

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

Dated: April 30, 2019

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



BRINKER INTERNATIONAL REPORTS THIRD QUARTER RESULTS

DALLAS (April 30, 2019) – Brinker International, Inc. (NYSE: EAT) today announced results for the fiscal third quarter ended March 27, 2019.

Highlights include the following:

- Earnings per diluted share, on a GAAP basis, in the third quarter of fiscal 2019 increased 28.4% to \$1.31 compared to \$1.02 in the third quarter of fiscal 2018
- Earnings per diluted share, excluding special items, in the third quarter of fiscal 2019 increased 16.7% to \$1.26 compared to \$1.08 in the third quarter of fiscal 2018 (see non-GAAP reconciliation below)
- Brinker International’s Company sales in the third quarter of fiscal 2019 increased 2.7% to \$811.6 million compared to the third quarter of fiscal 2018. Total revenues in the third quarter of fiscal 2019 increased 3.3% to \$839.3 million compared to the third quarter of fiscal 2018
- Chili’s company-owned comparable restaurant sales increased 2.9% in the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018. Chili’s U.S. franchise comparable restaurant sales increased 2.0% in the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018
- Maggiano’s company-owned comparable restaurant sales increased 0.4% in the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018
- Chili’s international franchise comparable restaurant sales decreased 3.9% in the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018
- Operating income, as a percent of Total revenues, was 8.4% in the third quarter of fiscal 2019 compared to 8.9% in the third quarter of fiscal 2018 representing a decrease of approximately 50 basis points
- Restaurant operating margin, as a percent of Company sales, was 14.3% in the third quarter of fiscal 2019 which included the impact of the sale leaseback transactions and adopting the new revenue accounting standard (“ASC 606”), compared to 16.1% in the third quarter of fiscal 2018 (see non-GAAP reconciliation below). Excluding the impact of the sale leaseback transactions and ASC 606, Restaurant operating margin would have been flat year-over-year
- Cash flows provided by operating activities in the thirty-nine week period ended March 27, 2019 was \$150.6 million and capital expenditures totaled \$128.0 million resulting in free cash flow of \$22.6 million (see non-GAAP reconciliation below) which was reduced by \$75.0 million in cash tax payments related to the gain on the sale leaseback transactions. Proceeds from sale leaseback transactions of \$468.8 million are included in Cash flows provided by investing activities
- The Company’s Board of Directors approved a quarterly dividend of \$0.38 per share on the common stock of the Company. The dividend will be payable June 27, 2019 to shareholders of record as of June 7, 2019

“Brinker posted strong comp sales growth and industry leading traffic again in the third quarter,” said Wyman Roberts, CEO and President. “This marked our 5th consecutive quarter of significantly outperforming the category in traffic. Our focus continues to be on elevating our guest experiences and providing true every day value to increase the frequency and loyalty of our guests.”

QUARTERLY OPERATING PERFORMANCE

Company Sales and Company Restaurant Expenses

Chili's Company sales in the third quarter of fiscal 2019 increased 3.0% to \$709.8 million from \$688.9 million in the third quarter of fiscal 2018 primarily due to an increase in comparable restaurant sales. As compared to the third quarter of fiscal 2018, Chili's restaurant operating margin⁽¹⁾ declined. Chili's Restaurant expenses, as a percent of Company sales, increased compared to the third quarter of fiscal 2018 primarily due to higher rent expense associated with the new operating leases entered into as part of the sale leaseback transactions and the impact of adopting ASC 606, partially offset by sales leverage. Cost of sales, as a percent of Company sales, increased compared to the third quarter of fiscal 2018 primarily due to unfavorable menu item mix and commodity pricing, partially offset by increased menu pricing. Restaurant labor, as a percent of Company sales, increased compared to the third quarter of fiscal 2018 due to higher wage rates and incentive compensation, partially offset by sales leverage and lower employee health insurance expenses.

Maggiano's Company sales in the third quarter of fiscal 2019 increased 0.2% to \$101.8 million from \$101.6 million in the third quarter of fiscal 2018 primarily due to an increase in comparable restaurant sales. As compared to the third quarter of fiscal 2018, Maggiano's restaurant operating margin⁽¹⁾ declined. This was primarily driven by Restaurant expenses, as a percent of Company sales, that increased compared to the third quarter of fiscal 2018, primarily due to higher rent and repairs and maintenance expenses. Cost of sales, as a percent of Company sales, also increased compared to the third quarter of fiscal 2018 primarily due to unfavorable menu item mix and commodity pricing, partially offset by increased menu pricing. This was partially offset by a decrease in Restaurant labor, as a percent of Company sales, primarily due to lower incentive compensation, partially offset by higher wages.

⁽¹⁾ Restaurant operating margin is defined as Company sales less Cost of sales, Restaurant labor and Restaurant expenses and excludes Depreciation and amortization expenses (see non-GAAP reconciliation below).

Franchise and Other Revenues

Franchise and other revenues in the third quarter of fiscal 2019 increased 25.9% to \$27.7 million from \$22.0 million in the third quarter of fiscal 2018 primarily due to the adoption of ASC 606 during the first quarter of fiscal 2019. Please refer to "REVENUE RECOGNITION UPDATE" section below for more details on the new revenue standard. Brinker franchisees generated approximately \$335.0 million in sales⁽²⁾ in the third quarter of fiscal 2019.

⁽²⁾ Royalty revenues are recognized based on the sales generated and reported to the Company by franchisees.

Other

Depreciation and amortization expense in the third quarter of fiscal 2019 decreased \$1.1 million compared to the third quarter of fiscal 2018 primarily due to an increase in fully depreciated assets, sale leaseback transactions and restaurant closures, partially offset by additions for existing restaurants primarily related to Chili's remodels and new restaurants.

General and administrative expense in the third quarter of fiscal 2019 increased \$4.1 million compared to the third quarter of fiscal 2018 primarily due to higher incentive compensation and stock compensation expenses.

Income Taxes

On a GAAP basis, the effective income tax rate in the third quarter of fiscal 2019 decreased to 10.3% compared to 20.4% in the third quarter of fiscal 2018. The Tax Act lowered the federal statutory tax rate from 35.0% to 21.0% effective January 1, 2018. Additionally, our fiscal 2019 effective income tax rate is further lowered due to an increase in the FICA tax credit benefit, partially offset by the impact of sale leaseback transactions.

Guidance Policy

Brinker provides annual guidance as it relates to comparable restaurant sales, earnings per diluted share, excluding special items, and other key line items in the consolidated statements of comprehensive income and will only provide updates if there is a material change versus the original guidance. We are unable to reliably forecast special items such as restaurant impairments, restaurant closures, reorganization charges and legal settlements without unreasonable

effort. As such, we do not present a reconciliation of forecasted non-GAAP measures to the corresponding GAAP measures. If special items are reported in the remainder of fiscal 2019, reconciliations to the appropriate GAAP measures will be provided.

COMPARABLE RESTAURANT SALES

The table below presents the percent change in company-owned and franchise comparable restaurant sales in the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018, and the third quarter of fiscal 2018 compared to the third quarter of fiscal 2017:

| | Comparable Sales ⁽¹⁾ | | Price Impact | | Mix-Shift ⁽²⁾ | | Traffic | |
|-------------------------------------|---------------------------------|--------------|--------------|--------------|--------------------------|--------------|--------------|--------------|
| | Q3: 19 vs 18 | Q3: 18 vs 17 | Q3: 19 vs 18 | Q3: 18 vs 17 | Q3: 19 vs 18 | Q3: 18 vs 17 | Q3: 19 vs 18 | Q3: 18 vs 17 |
| Company-owned | 2.6 % | (0.3)% | 1.5% | 1.2% | (1.7)% | 0.6% | 2.8% | (2.1)% |
| Chili's | 2.9 % | (0.4)% | 1.6% | 1.1% | (1.7)% | 0.6% | 3.0% | (2.1)% |
| Maggiano's | 0.4 % | 0.5 % | 0.8% | 1.3% | (0.4)% | 0.6% | 0.0% | (1.4)% |
| Chili's franchise ⁽³⁾⁽⁴⁾ | (0.2)% | (2.2)% | | | | | | |
| U.S. ⁽⁴⁾ | 2.0 % | (3.3)% | | | | | | |
| International | (3.9)% | (0.2)% | | | | | | |
| Chili's domestic ⁽⁵⁾ | 2.7 % | (1.1)% | | | | | | |
| System-wide ⁽⁶⁾ | 1.8 % | (0.8)% | | | | | | |

⁽¹⁾ Comparable restaurant sales include all restaurants that have been in operation for more than 18 months. Amounts are calculated based on comparable current period versus same period a year ago.

⁽²⁾ Mix-shift is calculated as the year-over-year percentage change in Company sales resulting from the change in menu items ordered by guests.

⁽³⁾ Chili's franchise sales generated by franchisees are not included in revenues in the Consolidated Statements of Comprehensive Income; however, we generate royalty revenues and advertising fees based on franchisee revenues, where applicable. We believe including franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.

⁽⁴⁾ Chili's franchise comparable sales in the U.S. for the Q3: 18 vs 17 period were restated due to a change in franchise reported sales. Chili's domestic and System-wide comparable sales were not affected by this restatement.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

NON-GAAP MEASURES

Brinker management uses certain non-GAAP measures in analyzing operating performance and believes that the presentation of these measures in this release provides investors with information that is beneficial to gaining an understanding of the Company's financial results. Non-GAAP disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP measures are included in the tables below.

Reconciliation of Net Income and Earnings Per Share Excluding Special Items

Brinker believes excluding special items from its financial results provides investors with a clearer perspective of the Company's ongoing operating performance and a more relevant comparison to prior period results. The following reconciliation is presented in millions, except per share amounts.

| | Q3 19 | EPS Q3 19 | Q3 18 | EPS Q3 18 |
|---|----------------|----------------|----------------|----------------|
| Net income | \$ 49.8 | \$ 1.31 | \$ 46.9 | \$ 1.02 |
| Special items ⁽¹⁾ | (2.5) | (0.07) | 2.7 | 0.06 |
| Income tax effect related to special items ⁽²⁾ | 0.6 | 0.02 | (0.8) | (0.02) |
| Special items, net of taxes | (1.9) | (0.05) | 1.9 | 0.04 |
| Adjustment for special tax items ⁽³⁾ | — | — | 0.8 | 0.02 |
| Net income excluding special items | <u>\$ 47.9</u> | <u>\$ 1.26</u> | <u>\$ 49.6</u> | <u>\$ 1.08</u> |

⁽¹⁾ Special items in the third quarter of fiscal 2019 consist of a \$3.5 million gain in Other (gains) and charges, partially offset by \$1.0 million of incremental depreciation expense associated with a change in estimated useful life of certain restaurant-level long-lived assets. Special items in the third quarter of fiscal 2018 consist of a \$2.7 million charge primarily related to lease termination expenses. Footnote "(2)" to the Consolidated Statements of Comprehensive Income contains additional details on the composition of Other (gains) and charges.

⁽²⁾ Income tax effect related to special items is based on the statutory tax rate in effect at the end of each period presented.

⁽³⁾ Adjustment for special tax items in the third quarter of fiscal 2018 primarily relates to deferred taxes pursuant to prior year tax return adjustments.

Reconciliation of Restaurant Operating Margin

Restaurant operating margin is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative to operating income as an indicator of financial performance. Restaurant operating margin is widely regarded in the restaurant industry as a useful metric by which to evaluate restaurant-level operating efficiency and performance of ongoing restaurant-level operations. This non-GAAP measure is not indicative of overall company performance and profitability in that this measure does not directly accrue benefit to the shareholders due to the nature of costs excluded. We define Restaurant operating margin as Company sales less Company restaurant expenses, including Cost of sales, Restaurant labor and Restaurant expenses. We believe this metric provides a more useful comparison between periods and enables investors to focus on the performance of restaurant-level operations by excluding revenues not related to food and beverage sales at company-owned restaurants, corporate General and administrative expense, Depreciation and amortization, and Other (gains) and charges.

Restaurant operating margin excludes Franchise and other revenues which are earned primarily from franchise royalties and other non-food and beverage revenue streams such as banquet service charges, digital entertainment revenues and gift card breakage. Depreciation and amortization expense, substantially all of which is related to restaurant-level assets, is excluded because such expense represents historical costs which do not reflect current cash outlays for the restaurants. General and administrative expense includes primarily non-restaurant-level costs associated with support of the restaurants and other activities at our corporate offices and is therefore excluded. We believe that excluding special items, included within Other (gains) and charges, from Restaurant operating margin provides investors with a clearer perspective of the Company's ongoing operating performance and a more useful comparison to prior period results. Restaurant operating margin as presented may not be comparable to other similarly titled measures of other companies in our industry.

The adoption of the new revenue standard, ASC 606, in first quarter of fiscal 2019 changed the presentation and recording of certain items contained within Franchise and other revenues, Operating income, and Restaurant operating margin. The adoption did not have a significant impact. For more details about the impact of adopting the new revenue

standard please refer to the “REVENUE RECOGNITION UPDATE” section below. The following reconciliation is presented in millions, except percentages.

| | Q3 19 | Q3 18 |
|--|----------|----------|
| Operating income - GAAP | \$ 70.2 | \$ 72.7 |
| Operating income, as a percent of Total revenue | 8.4% | 8.9% |
| Operating income | 70.2 | 72.7 |
| Less: Franchise and other revenues | (27.7) | (22.0) |
| Plus: Depreciation and amortization | 36.4 | 37.5 |
| General and administrative | 40.8 | 36.7 |
| Other (gains) and charges | (3.5) | 2.7 |
| Restaurant operating margin - non-GAAP | \$ 116.2 | \$ 127.6 |
| Restaurant operating margin, as a percent of Company sales | 14.3% | 16.1% |

Reconciliation of Free Cash Flow

Brinker believes presenting free cash flow provides a useful measure to evaluate the cash flow available for reinvestment after considering the capital requirements of our business operations (in millions).

| | Q3 19 |
|--|----------|
| Cash flows provided by operating activities - GAAP | \$ 150.6 |
| Capital expenditures | (128.0) |
| Free cash flow - non-GAAP | \$ 22.6 |

During the thirty-nine week period ended March 27, 2019, Cash flows provided by operating activities - GAAP were reduced by \$75.0 million of cash tax payments related to the gain on the sale leaseback transactions. The cash proceeds received from the sale leaseback transactions of \$468.8 million are recorded in Cash flows provided by investing activities during the thirty-nine week period ended March 27, 2019.

WEBCAST INFORMATION

Investors and interested parties are invited to listen to today’s conference call, as management will provide further details of the quarter. The call will broadcast live on Brinker’s website today, April 30, 2019 at 9 a.m. CDT:

<http://investors.brinker.com/events/event-details/q3-2019-brinker-international-earnings-conference-call>

For those who are unable to listen to the live broadcast, a replay of the call will be available shortly thereafter and will remain on Brinker’s website until the end of the day May 28, 2019.

Additional financial information, including statements of income which detail operations excluding special items, franchise and other revenues, and comparable restaurant sales trends by brand, is also available on Brinker’s website under the Financial Information section of the Investor tab.

FORWARD CALENDAR

- SEC Form 10-Q for the third quarter of fiscal 2019 filing on or before May 6, 2019; and
- Fourth quarter earnings release on August 13, 2019.

ABOUT BRINKER

Brinker International, Inc. is one of the world’s leading casual dining restaurant companies. Based in Dallas, Texas, as of March 27, 2019, Brinker owned, operated, or franchised 1,676 restaurants under the names Chili’s® Grill & Bar (1,623 restaurants) and Maggiano’s Little Italy® (53 restaurants).

FORWARD LOOKING STATEMENTS

The statements and tables contained in this release 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 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. Such risks and uncertainties include, among other things, the impact of competition, changes in consumer preferences, consumer perception of food safety, reduced disposable income, unfavorable publicity, increased minimum wages, governmental regulations, the impact of mergers, acquisitions, divestitures and other strategic transactions, the Company's ability to meet its business strategy plan, 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, 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, and tax reform, as well as the risks described under the caption "Risk Factors" in our fiscal 2018 Annual Report on Form 10-K and future filings with the Securities and Exchange Commission.

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

| | Thirteen Week Periods Ended | | Thirty-Nine Week Periods Ended | |
|---|-----------------------------|----------------|--------------------------------|----------------|
| | March 27, 2019 | March 28, 2018 | March 27, 2019 | March 28, 2018 |
| Revenues | | | | |
| Company sales | \$ 811.6 | \$ 790.5 | \$ 2,301.4 | \$ 2,250.1 |
| Franchise and other revenues ⁽¹⁾ | 27.7 | 22.0 | 82.4 | 68.2 |
| Total revenues | 839.3 | 812.5 | 2,383.8 | 2,318.3 |
| Operating costs and expenses | | | | |
| Company restaurants (excluding depreciation and amortization) | | | | |
| Cost of sales | 216.7 | 207.3 | 609.5 | 587.8 |
| Restaurant labor | 274.0 | 265.4 | 791.1 | 766.9 |
| Restaurant expenses ⁽¹⁾ | 204.7 | 190.2 | 609.4 | 566.9 |
| Company restaurant expenses | 695.4 | 662.9 | 2,010.0 | 1,921.6 |
| Depreciation and amortization | 36.4 | 37.5 | 109.5 | 113.7 |
| General and administrative | 40.8 | 36.7 | 110.0 | 102.1 |
| Other (gains) and charges ⁽²⁾ | (3.5) | 2.7 | (12.4) | 25.2 |
| Total operating costs and expenses | 769.1 | 739.8 | 2,217.1 | 2,162.6 |
| Operating income | 70.2 | 72.7 | 166.7 | 155.7 |
| Interest expense | 15.3 | 14.6 | 46.3 | 42.8 |
| Other (income), net | (0.6) | (0.8) | (2.2) | (2.3) |
| Income before provision for income taxes | 55.5 | 58.9 | 122.6 | 115.2 |
| Provision for income taxes | 5.7 | 12.0 | 14.4 | 33.1 |
| Net income | \$ 49.8 | \$ 46.9 | \$ 108.2 | \$ 82.1 |
| Basic net income per share | | | | |
| | \$ 1.33 | \$ 1.03 | \$ 2.80 | \$ 1.76 |
| Diluted net income per share | | | | |
| | \$ 1.31 | \$ 1.02 | \$ 2.75 | \$ 1.74 |
| Basic weighted average shares outstanding | | | | |
| | 37.5 | 45.4 | 38.6 | 46.7 |
| Diluted weighted average shares outstanding | | | | |
| | 38.1 | 46.0 | 39.3 | 47.2 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments ⁽³⁾ | \$ 0.2 | \$ (0.2) | \$ (0.1) | \$ 0.6 |
| Other comprehensive income (loss) | 0.2 | (0.2) | (0.1) | 0.6 |
| Comprehensive income | \$ 50.0 | \$ 46.7 | \$ 108.1 | \$ 82.7 |

⁽¹⁾ Franchise and other revenues and Restaurant expenses in the thirteen and thirty-nine week periods ended March 27, 2019 includes the impact from adoption of ASC 606, whereas the thirteen and thirty-nine week periods ended March 28, 2018 was not restated. Please see "REVENUE RECOGNITION UPDATE" section for further details. Franchise and other revenues include royalties, advertising fees (effective in the first quarter of fiscal 2019), gift card breakage, Maggiano's banquet service charge income, digital entertainment revenues, gift card equalization, gift card discount costs from third-party gift card sales, franchise and development fees, delivery fee income, merchandise income and retail royalty revenues.

(2) Other (gains) and charges included in the Consolidated Statements of Comprehensive Income include (in millions):

| | Thirteen Week Periods Ended | | Thirty-Nine Week Periods Ended | |
|---|-----------------------------|----------------|--------------------------------|----------------|
| | March 27, 2019 | March 28, 2018 | March 27, 2019 | March 28, 2018 |
| (Gain) on sale of assets, net | \$ (6.0) | \$ — | \$ (6.8) | \$ (0.3) |
| Sale leaseback (gain), net of transaction charges | (4.3) | — | (22.0) | — |
| Foreign currency transaction (gain) | (0.5) | (1.0) | (0.6) | (0.1) |
| Corporate headquarters relocation charges | 5.2 | — | 5.2 | — |
| Remodel-related costs | 1.7 | — | 4.8 | — |
| Restaurant closure charges | 0.2 | 2.8 | 4.0 | 7.3 |
| Property damages, net of (insurance recoveries) | 0.1 | 0.3 | (0.5) | 5.4 |
| Restaurant impairment charges | — | — | 1.0 | 9.2 |
| Accelerated depreciation | — | 0.5 | 1.0 | 1.5 |
| Cyber security incident charges | — | — | 0.4 | — |
| Lease guarantee charges | — | 0.5 | — | 1.9 |
| Other | 0.1 | (0.4) | 1.1 | 0.3 |
| Total | \$ (3.5) | \$ 2.7 | \$ (12.4) | \$ 25.2 |

(3) Foreign currency translation adjustment included within Comprehensive income in the Consolidated Statements of Comprehensive Income represents the unrealized impact of translating the financial statements of the Canadian restaurants and the Mexican joint venture (prior to divestiture in the second quarter of fiscal 2018) from their respective functional currencies to U.S. dollars. This amount is not included in Net income and would only be realized upon disposition of the businesses.

REVENUE RECOGNITION UPDATE

Effective in the first quarter of fiscal 2019, we adopted ASC 606 and did not elect to restate the prior year financial statements to reflect the application of the standard. The primary impact of the adoption is the change in presentation of advertising fees received from franchisees and the timing of recognition for franchise related revenues and gift card breakage. Under ASC 606, advertising fees are now presented on a gross basis as a component of Franchise and other revenues. Under the previous revenue accounting guidance (“Legacy GAAP”), the advertising fees were recorded as a reduction to advertising expenses within Restaurant expenses in the Consolidated Statements of Comprehensive Income. The recognition timing change for franchise related fees and gift card breakage, both recorded in Franchise and other revenues, did not have a significant impact to our results of operations during the third quarter of fiscal 2019.

The following table presents a comparative view of the thirteen and thirty-nine week period ended March 27, 2019 results prepared in accordance with ASC 606 versus Legacy GAAP.

| | Thirteen Week Period Ended | | | Thirty-Nine Week Period Ended | | |
|---|----------------------------|-------------|------------------------|-------------------------------|-------------|------------------------|
| | March 27, 2019 | | | March 27, 2019 | | |
| | ASC 606 Amounts | Adjustments | Legacy GAAP Amounts | ASC 606 Amounts | Adjustments | Legacy GAAP Amounts |
| Revenues | | | | | | |
| Company sales | \$ 811.6 | \$ — | \$ 811.6 | \$ 2,301.4 | \$ — | \$ 2,301.4 |
| Franchise and other revenues | 27.7 | (6.9) | 20.8 | 82.4 | (17.7) | 64.7 |
| Total revenues | 839.3 | (6.9) | 832.4 | 2,383.8 | (17.7) | 2,366.1 |
| Operating costs and expenses | | | | | | |
| Company restaurants (excluding depreciation and amortization) | | | | | | |
| Cost of sales | 216.7 | — | 216.7 | 609.5 | — | 609.5 |
| Restaurant labor | 274.0 | — | 274.0 | 791.1 | — | 791.1 |
| Restaurant expenses | 204.7 | (5.5) | 199.2 | 609.4 | (15.8) | 593.6 |
| Company restaurant expenses | 695.4 | (5.5) | 689.9 | 2,010.0 | (15.8) | 1,994.2 |
| Depreciation and amortization | 36.4 | — | 36.4 | 109.5 | — | 109.5 |
| General and administrative | 40.8 | — | 40.8 | 110.0 | — | 110.0 |
| Other (gains) and charges | (3.5) | — | (3.5) | (12.4) | — | (12.4) |
| Total operating costs and expenses | 769.1 | (5.5) | 763.6 | 2,217.1 | (15.8) | 2,201.3 |
| Operating income | 70.2 | (1.4) | 68.8 | 166.7 | (1.9) | 164.8 |
| Operating income as a percent of Total revenue | 8.4% | (0.1)% | 8.3% | 7.0% | 0.0% | 7.0% |
| Interest expense | | | | | | |
| Interest expense | 15.3 | — | 15.3 | 46.3 | — | 46.3 |
| Other (income), net | | | | | | |
| Other (income), net | (0.6) | — | (0.6) | (2.2) | — | (2.2) |
| Income before provision for income taxes | 55.5 | (1.4) | 54.1 | 122.6 | (1.9) | 120.7 |
| Provision for income taxes | 5.7 | (0.3) | 5.4 | 14.4 | (0.5) | 13.9 |
| Net income | \$ 49.8 | \$ (1.1) | \$ 48.7 | \$ 108.2 | \$ (1.4) | \$ 106.8 |
| Basic net income per share | | | | | | |
| Basic net income per share | \$ 1.33 | \$ (0.03) | \$ 1.30 | \$ 2.80 | \$ (0.03) | \$ 2.77 |
| Diluted net income per share | | | | | | |
| Diluted net income per share | \$ 1.31 | \$ (0.03) | \$ 1.28 | \$ 2.75 | \$ (0.03) | \$ 2.72 |

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

| | (Unaudited) March 27, 2019 | June 27, 2018 |
|---|----------------------------------|-------------------|
| ASSETS | | |
| Current assets | \$ 168.6 | \$ 156.3 |
| Net property and equipment ⁽¹⁾ | 758.6 | 938.9 |
| Deferred income taxes, net ⁽¹⁾ | 119.8 | 33.6 |
| Total other assets | 217.1 | 218.5 |
| Total assets | <u>\$ 1,264.1</u> | <u>\$ 1,347.3</u> |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| Current installments of long-term debt | \$ 7.9 | \$ 7.1 |
| Other current liabilities ⁽¹⁾ | 445.6 | 427.2 |
| Long-term debt, less current installments | 1,219.3 | 1,499.6 |
| Deferred gain on sale leaseback transactions ⁽¹⁾ | 250.7 | — |
| Other liabilities | 154.8 | 131.7 |
| Total shareholders' deficit | (814.2) | (718.3) |
| Total liabilities and shareholders' deficit | <u>\$ 1,264.1</u> | <u>\$ 1,347.3</u> |

⁽¹⁾ We executed sale leaseback transactions during the thirty-nine week period ended March 27, 2019 for gross consideration of \$477.4 million, and removed the related Net property and equipment totaling \$178.6 million from our Consolidated Balance Sheets, resulting in a net gain. Of the gain, as of March 27, 2019, \$269.4 million remains deferred and is included within Other current liabilities and Deferred gain on sale leaseback transactions. The total gain is immediately taxable, resulting in \$76.0 million of tax on the gain, of which \$75.0 million was paid during the thirty-nine week period ended March 27, 2019.

Of the 997 company-owned restaurants locations, at March 27, 2019, we continue to own property for 47 restaurant locations. The related book value of the land totaled \$37.4 million and the net book value of buildings totaled \$22.3 million for these locations.

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

| | Thirty-Nine Week Periods Ended | |
|---|--------------------------------|----------------|
| | March 27, 2019 | March 28, 2018 |
| Cash flows from operating activities | | |
| Net income | \$ 108.2 | \$ 82.1 |
| Adjustments to reconcile Net income to Net cash provided by operating activities: | | |
| Depreciation and amortization | 109.5 | 113.7 |
| Stock-based compensation | 13.0 | 11.0 |
| Restructure charges and other impairments | 14.4 | 16.1 |
| Net (gain) loss on disposal of assets | (27.6) | 1.4 |
| Changes in assets and liabilities | (66.9) | 13.4 |
| Net cash provided by operating activities | <u>150.6</u> | <u>237.7</u> |
| Cash flows from investing activities | | |
| Payments for property and equipment | (128.0) | (69.5) |
| Payments for franchise restaurant acquisitions | (1.3) | — |
| Proceeds from sale of assets | 1.4 | 14.8 |
| Proceeds from note receivable | 2.0 | 1.2 |
| Insurance recoveries | 1.4 | 1.7 |
| Proceeds from sale leaseback transactions, net of related expenses | 468.8 | — |
| Net cash provided by (used in) investing activities | <u>344.3</u> | <u>(51.8)</u> |
| Cash flows from financing activities | | |
| Borrowings on revolving credit facility | 626.0 | 524.0 |
| Payments on revolving credit facility | (903.0) | (484.0) |
| Purchases of treasury stock | (167.7) | (162.0) |
| Payments of dividends | (46.0) | (53.1) |
| Payments on long-term debt | (5.7) | (7.8) |
| Proceeds from issuances of treasury stock | 2.8 | 1.3 |
| Net cash used in financing activities | <u>(493.6)</u> | <u>(181.6)</u> |
| Net change in cash and cash equivalents | 1.3 | 4.3 |
| Cash and cash equivalents at beginning of period | 10.9 | 9.1 |
| Cash and cash equivalents at end of period | <u>\$ 12.2</u> | <u>\$ 13.4</u> |

BRINKER INTERNATIONAL, INC.
Restaurant Summary

| | Fiscal 2019 | | | March 27, 2019 |
|--|---------------------------|--------------|---------------------------------|-------------------|
| | Third Quarter Openings | YTD Openings | Full Year Projected Openings | Total Restaurants |
| New Openings | | | | |
| Company-owned restaurants | | | | |
| Chili's domestic | 2 | 2 | 2-4 | 940 |
| Chili's international | — | — | — | 5 |
| Maggiano's | — | — | — | 52 |
| Total company-owned | 2 | 2 | 2-4 | 997 |
| Franchise restaurants | | | | |
| Chili's domestic | 1 | 4 | 4-5 | 308 |
| Chili's international | 4 | 14 | 21-24 | 370 |
| Maggiano's | — | 1 | 1 | 1 |
| Total franchise | 5 | 19 | 26-30 | 679 |
| Chili's domestic | 3 | 6 | 6-9 | 1,248 |
| Chili's international | 4 | 14 | 21-24 | 375 |
| Maggiano's | — | 1 | 1 | 53 |
| Grand total | 7 | 21 | 28-34 | 1,676 |
| Relocation Openings | | | | |
| Chili's domestic company-owned relocations | 2 | 5 | 5 | |

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