

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

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

For the Quarter Ended September 25, 1996

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-1914582
(I.R.S. Employer
Identification No.)

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

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

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

Yes No

Number of shares of common stock of registrant outstanding at September 25, 1996: 77,289,234

BRINKER INTERNATIONAL, INC.

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

	September 25, 1996	June 26, 1996
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 19,865	\$ 27,073
Accounts Receivable, Net	14,865	14,142
Inventories	11,162	10,839
Prepaid Expenses	25,340	24,648
Deferred Income Taxes	11,321	11,653
Total Current Assets	82,553	88,355
Property and Equipment, at Cost:		
Land	159,484	150,391
Buildings and Leasehold Improvements	451,229	430,037
Furniture and Equipment	252,256	240,880
Construction-in-Progress	36,042	31,923
	899,011	853,231
Less Accumulated Depreciation and Amortization	255,647	242,001
Net Property and Equipment	643,364	611,230
Other Assets:		
Marketable Securities	72,261	70,012
Goodwill	72,781	73,250
Other	50,035	45,987
Total Other Assets	195,077	189,249
Total Assets	\$920,994	\$888,834

(continued)

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

	September 25, 1996	June 26, 1996
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Short-term Debt	\$ 25,000	\$ 15,000
Current Installments of Long-term Debt	348	348
Accounts Payable	68,718	58,902
Accrued Liabilities	60,059	64,140
Total Current Liabilities	154,125	138,390
Long-term Debt, Less Current Installments	102,714	102,801
Deferred Income Taxes	13,816	12,900
Other Liabilities	25,095	26,573
Commitments and Contingencies		
Shareholders Equity:		
Preferred Stock - 1,000,000 Authorized Shares; \$1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; \$.10 Par Value; 77,289,234 and 77,255,783 Shares Issued and		

Outstanding at September 25, 1996 and June 26, 1996, Respectively	7,729	7,726
Additional Paid-In Capital	267,001	266,561
Unrealized Loss on Marketable Securities	(369)	(620)
Retained Earnings	350,883	334,503
 Total Shareholders Equity	 625,244	 608,170
Total Liabilities and Shareholders Equity	\$920,994	\$888,834

See accompanying notes to condensed consolidated financial statements

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

	Thirteen Week Periods Ended	
	September 25, 1996	September 27, 1995
Revenues	\$ 308,665	\$ 289,460
Costs and Expenses:		
Cost of Sales	87,465	83,658
Restaurant Expenses	162,522	152,905
Depreciation and Amortization	17,734	16,072
General and Administrative	15,542	12,997
Interest Expense	1,536	767
Other, Net	(765)	(906)
Total Costs and Expenses	284,034	265,493
Income Before Provision for Income Taxes	24,631	23,967
Provision for Income Taxes	8,251	8,388
Net Income	\$ 16,380	\$ 15,579
Primary and Fully Diluted Net Income Per Share	\$ 0.21	\$ 0.21
Primary Weighted Average Shares Outstanding	79,051	75,721
Fully Diluted Weighted Average Shares Outstanding	79,505	75,721

See accompanying notes to condensed consolidated financial statements

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

	Thirteen Week Periods Ended	
	September 25, 1996	September 27, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 16,380	\$ 15,579
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	14,440	13,525
Amortization of Goodwill and		

Other Assets	3,294	2,547
Changes in Assets and Liabilities, Excluding Effects of Acquisitions:		
Decrease (Increase) in Accounts Receivable	(723)	9,120
Increase in Inventories	(323)	(480)
Increase in Prepaid Expenses	(692)	(1,941)
Increase in Other Assets	(6,873)	(6,560)
Increase in Accounts Payable	9,816	1,128
Decrease in Accrued Liabilities	(4,081)	(1,080)
Increase in Deferred Income Taxes	1,115	1,240
Increase (Decrease) in Other Liabilities	(1,478)	499
Other	438	(11)
Net Cash Provided by Operating Activities	31,313	33,566
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(46,574)	(47,307)
Purchases of Marketable Securities	(12,901)	(5,533)
Proceeds from Sales of Marketable Securities	10,598	7,661
Other	-	375
Net Cash Used in Investing Activities	(48,877)	(44,804)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of Short-term debt	10,000	-
Payments of Long-term debt	(87)	(1,298)
Proceeds from Issuances of Common Stock	443	920
Net Cash Provided (Used) by Financing Activities	10,356	(378)
Net Decrease in Cash and Cash Equivalents	(7,208)	(11,616)
Cash and Cash Equivalents at Beginning of Period	27,073	44,911
Cash and Cash Equivalents at End of Period	\$ 19,865	\$ 33,295
CASH PAID (RECEIVED) DURING THE PERIOD:		
Income Taxes	\$ 1,073	\$ (5,648)
Interest, Net of Amounts Capitalized	\$ (349)	\$ (1,207)
NON-CASH TRANSACTIONS DURING THE PERIOD:		
Common Stock Issued in Connection with Acquisitions	\$ -	\$ 66,362

See accompanying notes to condensed consolidated financial statements

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

1. Basis of Presentation

The condensed consolidated financial statements of Brinker International, Inc. ("Company") as of September 25, 1996 and June 26, 1996 and for the thirteen week periods ended September 25, 1996 and September 27, 1995 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company owns or franchises over 600 restaurants under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Cafes ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery ("Corner Bakery"), and Eatzi's Market & Bakery (Eatzi's).

The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The notes to the condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the June 26, 1996 Form 10-K. Company management believes that the disclosures are sufficient for interim financial reporting purposes.

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

2. Net Income Per Share

Both primary and fully diluted net income per share are based on the weighted average number of shares outstanding during the period increased by common equivalent shares (stock options) determined using the treasury stock method. Primary weighted average equivalent shares are determined based on the average market price exceeding the exercise price of the stock options. Fully diluted weighted average equivalent shares are determined based on the higher of the average or ending market price exceeding the exercise price of the stock options.

3. Subsequent Event

On October 1, 1996, the Company acquired 13 Chili's restaurants from a franchisee for a cash purchase price of approximately \$16.2 million. The acquisition will be accounted for as a purchase.

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

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

	Thirteen Week Periods Ended	
	September 25, 1996	September 27, 1995
Revenues	100.0%	100.0%
Costs and Expenses:		
Cost of Sales	28.3%	28.9%
Restaurant Expenses	52.7%	52.8%
Depreciation and Amortization	5.8%	5.6%
General and Administrative	5.0%	4.5%
Interest Expense	0.5%	0.2%
Other, Net	(0.3%)	(0.3%)
Total Costs and Expenses	92.0%	91.7%
Income Before Provision for Income Taxes	8.0%	8.3%
Provision for Income Taxes	2.7%	2.9%
Net Income	5.3%	5.4%

The following table details the number of restaurant openings during the first quarter and total restaurants open at the end of the first quarter.

	First Quarter Openings		Total Open at End of First Quarter	
	Fiscal 1997	Fiscal 1996	Fiscal 1997	Fiscal 1996
Chili's:				
Company-owned	10	14	362	330
Franchised	6	8	143	116
Total	16	22	505	446
Macaroni Grill:				
Company-owned	6	4	75	54
Franchised	--	--	2	1
Total	6	4	77	55
On The Border:				
Company-owned	2	2	25	17
Franchised	1	--	3	4
Total	3	2	28	21

Cozymel's	--	1	13	4
Maggiano's	1	--	4	3
Corner Bakery	2	--	10	5
Eatzi's:				
Joint venture	--	--	1	--
Concepts sold	--	9	--	69
Grand total	28	38	638	603

REVENUES

Revenues for the first quarter of fiscal 1997 increased to \$308.7 million, 6.6% over the \$289.5 million generated for the same quarter of fiscal 1996. The increase is primarily attributable to a net increase of 12 Company-operated restaurants since September 27, 1995. The Company increased its capacity (as measured in store weeks) by 3.8% in the first quarter of fiscal 1997, as compared to the same quarter in fiscal 1996. Average weekly sales at company-owned stores increased 2.6% in the first quarter of fiscal 1997, as compared to the first quarter of fiscal 1996, including an increase of 0.4% at Chili's and a decline of 7.4% at Macaroni Grill.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased from 28.9% in fiscal 1996 to 28.3% in fiscal 1997. Favorable commodity prices for seafood and menu price increases were somewhat offset by unfavorable commodity prices for dairy, meat, and poultry.

Restaurant expenses decreased slightly from 52.8% in fiscal 1996 to 52.7% in fiscal 1997 primarily due to a decrease in restaurant labor. Restaurant labor decreased due to improvements in utilizing wait-staff while maintaining customer service.

Depreciation and amortization increased to 5.8% in fiscal 1997 from 5.6% in fiscal 1996. Depreciation and amortization increases related to fiscal 1996 acquisitions, new unit construction costs, and ongoing remodel costs were partially offset by a declining depreciable asset base for older units.

General and administrative expenses increased in the first quarter of fiscal 1997 compared to fiscal 1996 due to the accrual of profit sharing in fiscal 1997. A profit sharing accrual was not recorded in fiscal 1996.

Interest expense increased due to incremental borrowings on the Company's credit facilities combined with a decline in the construction-in-progress balances subject to interest capitalization.

Other, net, was flat compared to the first quarter of fiscal 1996.

INCOME TAXES

The Company's effective income tax rate was 33.5% for the first quarter of fiscal 1997 compared to 35.0% for the same period of fiscal 1996. The fiscal 1997 effective income tax rate has decreased as a result of the Congressional enactment of the work opportunity tax credit and an increase in the Federal FICA tax credits for tipped wages.

NET INCOME AND NET INCOME PER SHARE

Net income, as a percent of revenues, declined 0.1% compared to the first quarter of fiscal 1996. The decrease in net income in light of the increase in revenues and decrease in cost of sales was due to the increases in depreciation and amortization, general and administrative expenses, and interest expense mentioned above. Primary net income per share was \$0.21 for both the first quarters of fiscal 1997 and 1996. Primary weighted average shares outstanding for the first quarter increased 4.4% compared to the prior year period. The increase in weighted average shares outstanding arose primarily from common stock issued in connection with acquisitions during fiscal 1996.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from \$50.0 million at June 26, 1996 to \$71.6 million at September 25, 1996, due primarily to the Company's capital expenditures as discussed below. Net cash provided by operating activities decreased to \$31.3 million for the first quarter of fiscal 1997 from \$33.6 million during the same period in fiscal 1996 due to timing of operational receipts and payments.

Long-term debt outstanding at September 25, 1996 consisted of \$100 million of unsecured senior notes and obligations under capital leases. At September 25, 1996, the Company had \$212.2 million in available funds from credit facilities.

Capital expenditures were \$46.6 million for the first quarter of fiscal 1997 as compared to \$47.3 million in the first quarter of fiscal 1996. Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and the ongoing remodeling program. The Company estimates that its capital expenditures during the second quarter will approximate \$55 million. These capital expenditures will be funded from internal operations, cash equivalents, income earned from investments, build-to-suit lease agreements with landlords, proceeds from the sales of restaurants closed in conjunction with the strategic plan approved in fiscal 1996, and drawdowns on the Company's available lines of credit.

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

PART II. OTHER INFORMATION

Item 6: EXHIBITS

Exhibit 27 Financial Data Schedule. Filed with EDGAR version.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: November 6, 1996 By: /Ronald A. McDougall
Ronald A. McDougall, President and
Chief Executive Officer
(Duly Authorized Signatory)

Date: November 6, 1996 By: /Debra L. Smithart
Debra Smithart, Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FIRST QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

1,000

3-MOS	
	JUN-25-1997
	JUN-27-1996
	SEP-25-1996
	19,865
	0
	15,250
	(385)
	11,162
	82,553
	899,011
	(255,647)
	920,994
154,125	
	102,714
0	
	0
	7,729
	617,515
920,994	
	305,108
308,665	
	87,465
	267,644
	0
	77
1,536	
	24,631
	8,251
16,380	
	0
	0
	0
	16,380
	.21
	.21