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 December 24, 1997

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X No

Number of shares of common stock of registrant outstanding at December 24, 1997: 65,660,240

BRINKER INTERNATIONAL, INC.

INDEX

PART I. FINANCIAL INFORMATION

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

	December 24, 1997 (Unaudited)	June 25, 1997
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 24,715	$ 23,194
Marketable Securities	6,921	24,469
Accounts Receivable	21,445	15,258
Inventories	14,296	13,031
Prepaid Expenses	34,036	30,364
Deferred Income Taxes	933	1,050
Other	1,329	5,068
Total Current Assets	103,675	112,434
Property and Equipment, at Cost:		
Land	140,041	171,551
Buildings and Leasehold Improvements	501,062	533,579
Furniture and Equipment	296,225	294,985
Construction-in-Progress	44,564	42,977
	981,892	1,043,092
Less Accumulated Depreciation and Amortization	310,167	293,483
Net Property and Equipment	671,725	749,609
Other Assets:		
Goodwill	77,442	78,291
Other	76,282	56,609
Total Other Assets	153,724	134,900
Total Assets	$ 929,124	$ 996,943

(continued)

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

	December 24, 1997 (Unaudited)	June 25, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Installments of Long-term Debt	$ 298	$ 280
Accounts Payable	67,209	76,640
Accrued Liabilities	79,497	72,213
Total Current Liabilities	147,004	149,133
Long-term Debt, Less Current Installments	172,252	287,521
Deferred Income Taxes	9,429	7,426
Other Liabilities	45,147	29,119
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 78,150,054 Shares Issued and 65,660,240 Shares Outstanding at December 24, 1997, and		

77,710,016 Shares Issued and 65,233,900 Shares Outstanding at June 25, 1997	7,815	7,771
Additional Paid-In Capital	272,890	270,892
Unrealized Gain on Marketable Securities	279	304
Retained Earnings	424,890	395,008
	705,874	673,975
Less Treasury Stock, at Cost (12,489,814 shares at December 24, 1997 and 12,476,116 shares at June 25, 1997)	(150,582)	(150,231)
Total Shareholders' Equity	555,292	523,744
Total Liabilities and Shareholders' Equity	$ 929,124	996,943

See accompanying notes to condensed consolidated financial statements.

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

	13 Week Periods Ended		26 Week Periods Ended	
	Dec. 24, 1997	Dec. 25, 1996	Dec. 24, 1997	Dec. 25, 1996
Revenues	$ 374,502	$ 310,925	$ 750,465	$ 619,590
Costs and Expenses:				
Cost of Sales	101,843	88,898	204,536	176,363
Restaurant Expenses	208,890	169,906	415,010	332,428
Depreciation and Amortization	21,967	18,716	43,682	36,450
General and Administrative	18,353	15,975	34,920	31,517
Interest Expense	3,114	1,669	6,853	3,205
Other, Net	(63)	(1,750)	(157)	(2,515)
Total Costs and Expenses	354,104	293,414	704,844	577,448
Income Before Provision for Income Taxes	20,398	17,511	45,621	42,142
Provision for Income Taxes	7,037	5,866	15,739	14,117
Net Income	$ 13,361	$ 11,645	$ 29,882	$ 28,025
Basic Net Income Per Share	$ 0.20	$ 0.15	$ 0.46	$ 0.36
Diluted Net Income Per Share	$ 0.20	$ 0.15	$ 0.45	$ 0.36
Basic Weighted Average Shares Outstanding	65,593	77,460	65,460	77,370
Diluted Weighted Average Shares Outstanding	66,925	78,948	66,807	78,707

See accompanying notes to condensed consolidated financial statements.

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

	Twenty-Six Week Periods Ended	
	December 24, 1997	December 25, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 29,882	$ 28,025
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	35,348	29,801
Amortization of Goodwill and Other Assets	8,334	6,649
Deferred Income Taxes	2,123	1,907
Changes in Assets and Liabilities:		
Receivables	(2,448)	(5,576)
Inventories	(1,265)	(516)
Prepaid Expenses	(3,672)	(2,804)
Other Assets	(6,254)	(8,206)
Accounts Payable	(9,431)	9,605
Accrued Liabilities	7,284	2,798
Other Liabilities	7,328	(6,242)
Other	151	(181)
Net Cash Provided by Operating Activities	67,380	55,260
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(82,964)	(104,863)
Payments for Purchase of Restaurants	(2,700)	(15,863)
Net Proceeds from Sale-Leasebacks	125,995	-
Proceeds from Sales of Marketable Securities	17,369	24,226
Purchases of Marketable Securities	-	(18,489)
Net Advances to Affiliates	(4,824)	(1,979)
Additions to Other Assets	(5,175)	-
Net Cash Provided by (Used in) Investing Activities	47,701	(116,968)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (Payments) Borrowings on Credit Facilities	(115,000)	52,000
Payments of Long-term debt	(251)	(174)
Proceeds from Issuances of Common Stock	2,285	2,429
Other	(594)	-
Net Cash Provided by (Used in) Financing Activities	(113,560)	54,255
Net Increase (Decrease) in Cash and Cash Equivalents	1,521	(7,453)
Cash and Cash Equivalents at Beginning of Period	23,194	27,073
Cash and Cash Equivalents at End of Period	$ 24,715	$ 19,620
CASH PAID DURING THE PERIOD:		
Income Taxes, Net	$ 18,418	$ 14,055
Interest, Net of Amounts Capitalized	$ 8,552	$ 3,035

See accompanying notes to condensed consolidated financial statements.

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

1. Basis of Presentation

The condensed consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of December 24, 1997 and June 25, 1997 and for the thirteen week and twenty-six week periods ended December 24, 1997 and December 25, 1996 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company owns or franchises over 760 restaurants under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Cafes ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery, and Eatzi's Market & Bakery ("Eatzi's"). The Company owns a 50% interest in Eatzi's.

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

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

2. Sale Leaseback

In November 1997, the Company executed a $124.0 million sale and leaseback of certain real estate assets. The $8.7 million gain resulting from the sale, along with certain transaction costs, was deferred and will be amortized over the 20-year term of the operating lease. The net proceeds from the sale were used to retire $115.0 million of debt under the Company's credit facilities.

3. Net Income Per Share

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

4. Subsequent Event

On January 22, 1998, the Board of Directors approved a plan to repurchase up to $50 million of the Company's common stock. Repurchases will be made from time to time in open market transactions. All repurchases will be made in accordance with applicable securities regulations, and the timing of the repurchases will be dependent upon market conditions, share price, and other factors. The repurchased common stock may be used by the Company to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, or for other corporate purposes.

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

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

	13 Week Periods Ended		26 Week Periods Ended	
	Dec. 24, 1997	Dec. 25, 1996	Dec. 24, 1997	Dec. 25, 1996
Revenues	100.0%	100.0%	100.0%	100.0%
Costs and Expenses:				
Cost of Sales	27.2%	28.6%	27.2%	28.4%
Restaurant Expenses	55.7%	54.7%	55.3%	53.7%
Depreciation and Amortization	5.9%	6.0%	5.8%	5.9%
General and Administrative	4.9%	5.1%	4.7%	5.1%
Interest Expense	0.8%	0.5%	0.9%	0.5%
Other, Net	(0.0)%	(0.5)%	(0.0)%	(0.4)%

Total Costs and Expenses	94.5%	94.4%	93.9%	93.2%
Income Before Provision for Income Taxes	5.5%	5.6%	6.1%	6.8%
Provision for Income Taxes	1.9%	1.9%	2.1%	2.3%
Net Income	3.6%	3.7%	4.0%	4.5%

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

	2nd Quarter Openings		Year-to-Date Openings		Total Open at End of Second Quarter	
	Fiscal 1998	Fiscal 1997	Fiscal 1998	Fiscal 1997	Fiscal 1998	Fiscal 1997
Chili's:						
Company-owned	6	9	13	19	406	383
Franchised	4	6	12	12	153	135
Total	10	15	25	31	559	518
Macaroni Grill:						
Company-owned	5	7	8	13	105	82
Franchised	--	--	--	--	2	2
Total	5	7	8	13	107	84
On The Border:						
Company-owned	5	1	10	3	44	26
Franchised	2	1	3	2	10	4
Total	7	2	13	5	54	30
Cozymel's	--	1	--	1	12	12
Maggiano's	1	--	2	1	7	4
Corner Bakery	6	1	7	3	22	11
Eatzi's	--	--	1	--	2	1
Grand total	29	26	56	54	763	660

REVENUES

Revenues for the second quarter of fiscal 1998 increased to $374.5 million, 20.5% over the $310.9 million generated for the same quarter of fiscal 1997. Revenues for the twenty-six week period ended December 24, 1997 rose 21.1% to $750.5 million from the $619.6 million generated for the same period of fiscal 1997. These increases are attributable to the addition of one day to the current fiscal periods as discussed below and a net increase of 78 Company-operated restaurants opened or acquired since December 25, 1996. The Company increased its capacity (as measured in sales weeks) for the second quarter and year-to-date of fiscal 1998 by 14.5% and 16.4%, respectively, compared to the respective prior year periods. Average weekly sales at Company-owned stores increased 5.3% and 4.2% for the second quarter and year-to-date, respectively, from the same periods of fiscal 1997. On a concept basis, average weekly sales increased for the quarter and year-to-date compared to the same periods of fiscal 1997 by 4.8% and 3.9% at Chili's and 9.0% and 7.6% at On The Border and declined by 3.4% and 4.6% at Macaroni Grill, respectively.

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

COSTS AND EXPENSES (as a percent of Revenues)

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

Restaurant expenses increased on both a comparative second quarter and year-to-date basis, primarily as a result of increases in management and restaurant labor, as well as increased rent expense due to sale-leaseback transactions and an equipment leasing facility entered into in the current fiscal year. Management labor increased as a result of continuing efforts to remain competitive with the industry and increases in monthly performance bonuses due to Chili's positive performance in fiscal 1998. Restaurant labor increased due to continuing effects of the minimum wage increase in fiscal 1998. These increases were partially offset by menu price increases.

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

General and administrative expenses decreased for both the second quarter and year-to-date of fiscal 1998 compared to the respective periods in fiscal 1997. The decreases were mainly a result of the Company's continued focus on controlling corporate expenditures relative to increasing revenues and number of restaurants. However, total costs increased during the periods due to additional staff and support as the Company continues the expansion of its restaurant concepts. Additionally, expenses for the quarter and year-to-date increased due to the increased accrual for fiscal 1998 profit sharing.

Interest expense increased in the second quarter and year-to-date of fiscal 1998 compared to the respective fiscal 1997 periods due to a higher average level of outstanding borrowings on the Company's credit facilities combined with a decline in the construction-in-progress balances subject to interest capitalization.

Other, net, decreased for both the second quarter and year-to-date of fiscal 1998 compared to the respective periods in fiscal 1997. Other, net, was negatively impacted by the partial liquidation of the marketable securities portfolio initiated in the last half of fiscal 1997 resulting in a reduction of income earned. The proceeds from liquidation were used to fund a portion of the Company's stock repurchase plan. The prior year balances also include gains on sales of land.

INCOME TAXES

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

NET INCOME AND NET INCOME PER SHARE

Net income, as a percent of revenues, declined 0.1% and 0.5%, respectively, for the second quarter and year-to-date periods of fiscal 1998 compared to the respective periods of fiscal 1997. The decreases in net income in light of the increases in revenues and decreases in cost of sales were due to the increases in restaurant expense and interest expense mentioned above. Diluted net income per share was $0.20 and $0.45, respectively, for the second quarter and year-to-date periods of fiscal 1998 compared to $0.15 and $0.36, respectively, for the respective periods of fiscal 1997. Diluted weighted average shares outstanding for the second quarter decreased 15.2% compared to the prior year period due to a $150 million stock repurchase program which was completed in fiscal 1997.

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 $36.7 million at June 25, 1997 to $43.3 million at December 24, 1997, due primarily to the Company's capital expenditures. In the current quarter, the Company was able to fund more capital expenditures with current assets as compared to the prior year. Net cash provided by operating activities increased to $67.4 million for the first half of fiscal 1998 from $55.3 million during the same period in fiscal 1997 due to increased profitability and the timing of operational receipts and payments.

During the second quarter, the Company executed a $124.0 million sale-leaseback of certain real estate assets. The proceeds of the transaction were used to retire borrowings under existing credit facilities.

Long-term debt outstanding at December 24, 1997 consisted of $70.0 million of borrowings on credit facilities, $100 million of unsecured senior notes and obligations under capital leases. At December 24, 1997, the Company had $296.9 million in available funds from its $375 million credit facilities. Long-term liabilities increased in the first half of fiscal 1998 due to the deferred gain on the sale leaseback transaction and increased insurance reserves resulting from Company growth.

Subsequent to June 25, 1997, the Company entered into an equipment leasing facility for up to $55.0 million, of which funding commitments of $47.5 million have been obtained. As of December 24, 1997, $22.8 million of the leasing facility had been utilized. The remaining facility balance will be used to lease equipment for new unit openings.

Capital expenditures were $83.0 million for the first half of fiscal 1998 as compared to $104.9 million in the first half of fiscal 1997. Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and the ongoing remodeling program. The decrease in capital expenditures compared to the first half of 1997 is due mainly to the utilization of the equipment leasing facility during fiscal 1998 to fund purchases of new restaurant furniture and equipment. The Company estimates that its capital expenditures during the third quarter will approximate $49 million. These capital expenditures will be funded from internal operations, cash equivalents, the liquidation of the marketable securities portfolio, build-to-suit lease agreements with landlords, the equipment leasing facility, and drawdowns on the Company's available lines of credit.

The Year 2000 will have a broad impact on the business environment in which the Company operates due to the inability of many computer systems across all industries to process information containing dates beginning in the Year 2000. The Company is currently assessing the impact of the Year 2000 on its accounting, finance, and other systems, as well as the impact on its external business partners, in order to identify and address all potential business issues relating to the Year 2000.

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.

FORWARD-LOOKING STATEMENTS

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

PART II. OTHER INFORMATION

Item 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Proxy Statement dated September 23, 1997 for the Annual Meeting of Shareholders held on November 6, 1997, as filed with the Securities and Exchange Commission on September 23, 1997, is incorporated herein by reference.

(a) The Annual Meeting of Shareholders of the Company was held on November 6, 1997.

(b) Each of the management's nominees, as described in the Proxy Statement referenced above, was elected a director to hold office until the next annual meeting of shareholders or until his or her successor is elected and qualified.

Number of Affirmative Votes Cast	Number of Withhold Authority Votes Cast
59,339,711	828,860

(c) The following matter was also voted upon at the meeting and approved by the shareholders:

(i) approval of the Company's Long-Term Performance Share Plan

Number of Affirmative Votes Cast	Number of Negative Votes Cast
58,518,617	1,325,542

Number of Abstain Votes Cast

324,412

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: February 9, 1998 By:____
Ronald A. McDougall, President and
Chief Executive Officer
(Duly Authorized Signatory)

Date: February 9, 1998 By:____
Russell G. Owens, Executive Vice President
and Chief Financial Officer
(Principal Financial and Accounting Officer)

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24,715
6,921
21,641
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14,296
103,675
981,892
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929,124
147,004
172,252
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0
7,815
698,059
929,124
743,108
750,465
204,536
663,228
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29,882
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