THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

EAT - Q3 2020 Brinker International Inc Earnings Call

EVENT DATE/TIME: APRIL 29, 2020 / 2:00PM GMT

CORPORATE PARTICIPANTS

Joseph G. Taylor *Brinker International, Inc. - Executive VP & CFO*

Mika Ware *Brinker International, Inc. - VP of Finance & IR*

Wyman T. Roberts *Brinker International, Inc. - CEO, President & Non-Independent Director*

CONFERENCE CALL PARTICIPANTS

Andrew Strelzik *BMO Capital Markets Equity Research - Restaurants Analyst*

Brett Saul Levy *MKM Partners LLC, Research Division - Executive Director*

Brian M. Vaccaro *Raymond James & Associates, Inc., Research Division - VP*

Christopher Thomas O'Cull *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

David Sterling Palmer *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

Dennis Geiger *UBS Investment Bank, Research Division - Director and Equity Research Analyst of Restaurants*

Eric Andrew Gonzalez *KeyBanc Capital Markets Inc., Research Division - Restaurants Analyst*

Gregory Ryan Francfort *BofA Merrill Lynch, Research Division - Associate*

Jeffrey Daniel Farmer *Gordon Haskett Research Advisors - MD & Senior Analyst of Restaurants*

John Stephenson Glass *Morgan Stanley, Research Division - MD*

John William Ivankoe *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

Jon Michael Tower *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Katherine Irene Fogertey *Goldman Sachs Group Inc., Research Division - VP & Derivatives Research Strategist*

Nicole Miller Regan *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Peter Mokhlis Saleh *BTIG, LLC, Research Division - MD & Senior Restaurant Analyst*

Robert Marshall Derrington *Telsey Advisory Group LLC - MD & Senior Research Analyst*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Third Quarter Fiscal Year 2020 Conference Call. (Operator Instructions) It is now my pleasure to turn the floor over to your host, Joe Taylor, CFO.

Sir, the floor is yours.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Well, thank you, and good morning, everyone, and thank you for joining us. With me on today's call is our CEO, Wyman Roberts; and Mika Ware, VP, Finance and Investor Relations.

Now my first comment this morning is we hope everyone participating on today's call is in good health and doing well during this unique time. This morning, we released a business update related to the last several weeks of our operations as well as our results for the recently completed third quarter of fiscal year '20. While once we anticipated this call would detail another strong quarterly operating performance for Brinker, we are for a period of time living in a different environment. As a result, our prepared comments from Wyman will focus primarily on recent business performance and trends, with less commentary devoted to our third quarter results. We will also provide some insight as to the dining room reopening process now beginning in some regions of the country. Following the comments, we'll spend most of our time answering your questions about the business.

But before beginning our comments, I would remind everyone of our safe harbor regarding forward-looking statements. During our call, management may discuss certain items which are not based entirely on historical facts. Any such items should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All such statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such risks and uncertainties include factors more completely described in this morning's press release and the company's filings with the SEC. And of course, on the call, we may refer to certain non-GAAP financial measures that management uses in its review of the business and believes will provide insight into the company's ongoing operations.

And with that said, I will turn the call over to Wyman.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

All right. Thanks, Joe. These are indeed challenging times for the world, our country, our industry and Brinker. We're focused on moving forward and how to effectively deal with this pandemic, but let me first review how we ended third quarter.

Third quarter started out strong and was shaping up to be another great quarter for Brinker. If circumstances had remained normal, we'd be marking our eighth consecutive quarter of comp sales growth and a KNAPP-TRACK category beat of 2% to 3%, driven largely by our focus on growing our off-premise business and our commitment to driving traffic. We've been executing that strategy for 2 years before the pandemic hit. It provided a strong foundation when the world changed. For us, that was March 8, our last day of positive comp sales, but that strategy sets us up as we plan our recovery.

Since that day, as we narrowed our focus to effectively deal with the crisis at hand, we strengthened our resolve to remain a strong, viable company through this crisis. To us, that means 3 things: first, keeping our team members and guests safe; second, getting the most out of the business we can in this environment; and third, remaining nimble and building on our strengths as we develop our strategy to emerge from this crisis.

Our team reacted quickly to protect our business during the first few critical weeks of the crisis. We took significant cost-cutting measures by eliminating nonessential spend and delaying our capital projects. We work with our vendor partners and our landlords to reduce our near-term spend, and we reduced payroll across our salary team, with the exception of our restaurant managers.

With the reduction in sales, we set up a relief fund and spent more than $15 million to support hourly team members we couldn't schedule. We provided them a bridge to government assistance programs. Unfortunately, we had to furlough many of our hourly team members. But we have kept half of the team actively working to support our off-premise business. And with the continued acceleration in sales, we're busy enough that we've already brought back more than 10% of those furlough team members.

As we start to bring our dining rooms back online, we look forward to welcoming even more of our team back. We've navigated through the initial negative working capital environment, and we estimate our average weekly burn rate now to be approximately $5 million, while our business is primarily operating as off-premise.

We continue to work to ensure we have necessary liquidity to manage our business in this environment. As of the end of last week, our liquidity was approximately $175 million, comprised of cash on hand and revolver availability. We continue to evaluate opportunities to raise incremental capital, including increasing our revolver. And while we're taking advantage of the tax savings and deferrals that are available through the CARES Act, we are not participating in the PPP program. These actions paired with meaningful improved operating performance over the past several weeks give us confidence in our liquidity position as we begin to reopen our dining rooms.

For the past 2 years, we focused on operational execution, both on and off-premise, which enabled us to pivot quickly in response to the sweeping changes across the U.S. We became really good, really fast at running a takeout and delivery business. Our managers are on the front lines, engaging our team members and guests during every shift. They are optimizing labor, maximizing flow-through and, most importantly, delivering a safe experience our guests can trust. I couldn't be more proud of the work they've been doing. While this is far from an ideal situation or a long-term business model, our team has certainly made the best of it. We're one of the few casual diners that's been able to keep nearly all of our restaurants open, and we've grown our absolute sales every week.

Over the past 4 weeks, Chili's has gone from running close to 35% of our prior year's total sales to more than 50% of our total sales with just takeout and delivery. This is a testament to the quality of our operators and support teams, our ability to use direct marketing effectively, our strong value propositions and our reliable and consumer-friendly technology solutions.

Our brands are resonating with consumers during this crisis. And as we compare ourselves to the category, we continue to significantly outperform. Black Box data shows Chili's gap to casual dining last week at 14%, a gap that widened every week since the crisis started. Part of the reason for that performance is our unwavering commitment to keep our guests and our team members safe during these uncertain times. We've instituted enhanced safety standards to protect our guests and team members and made those efforts visible to the guests to increase their comfort and confidence in us. Our guests receive touchless curbside takeout, and we're providing masks and gloves to all our team members. Additionally, our investments in technology offered a competitive advantage for us in this environment because guests can access us in ways that are quicker and safer for both them and our team members. More than 70% of our restaurant transactions are coming through Olo, which means the majority of our guests are ordering and paying from their own devices. For the remaining few who pay at the restaurant, we're implementing touchless portable payment in the parking lot.

As we are beginning to reopen our dining rooms, in parts of the country, we are prepared for an extended recovery. We're working through operational plans to adhere to CDC, state and city guidelines. We're setting up our dining rooms and bars for social distancing. We're configuring takeout areas to accommodate both increased volume and safe practices. We're getting our team ready and training them to protect themselves as well as our guests. We have plenty of masks, gloves and sanitizer, and we're putting our in-restaurant touchless order and payment systems in place. And we're putting systems in place to make sure our team members are healthy, so guests can be confident when they dine with us. No one asked for this situation, and no one welcomes the upheaval it's caused in our world, but it times like these that prove who's strong enough to weather a storm of this magnitude.

We are established brands in our communities. Chili's has been around for 45 years, and Maggiano's for 25 years. Guests know they can trust us to provide great food at a great value in a safe environment. And our team has demonstrated their strength, resilience and commitment during this crisis. So I'm confident that whatever environment comes, we will over perform just like we have over the past few years and especially during the past couple of months.

No one knows for sure what lies ahead, but I know this. If it's a half a dining room scenario, no one will get more at half a dining room than we will. When we return to full dining rooms, no one will outperform us. We have the best operators in this business. We've invested in the right model and we have the technology to respond to ever-changing environment. We walked into this thing strong. We remain strong, and we will emerge strong.

And with that, I'll turn it over for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is coming from Jeff Farmer.

Jeffrey Daniel Farmer - *Gordon Haskett Research Advisors - MD & Senior Analyst of Restaurants*

Great. Gordon Haskett. For your restaurants that are seeing off-premise sales volumes approach, looks to be almost 60% of off-premise are pre-COVID sales volumes, what are the pros and cons of reopening those restaurants to in-restaurant dining at a limited capacity? It seems like you could be giving up some off-premise sales when you actually turn on in-restaurant dining?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Jeff. Well, I mean, first, let me just talk about what it takes to do that kind of volume in a system that wasn't set up for takeout and delivery of this kind of magnitude. So it really was a testament to the investment we've been making primarily in technology. When you are used to getting a handful of cars to pull up for takeout and delivery on a Friday night, and now turns into 20 or 30 cars in a parking lot, and you have to figure that out. We -- our operators and our IT teams did an amazing job reconfiguring our table management system for the dining room to work in the parking lot. And so those cars became tables. We took our tabletop payment system, Presto, and converted the technology to be a pay at the car touchless system for those guests that don't pay online, which we still have quite a few guests that call in and place their orders. And so we've got -- we were very adept at taking our technology and reconfiguring it to work in the parking lot. And so that system is well established.

With regard to what we think will happen as we open the dining rooms in terms of the trade-off and the incrementality that, that will bring, we're confident that it's going to be fairly incremental. And so we don't think that the cannibalization will be large upfront because, again, all -- every restaurant is opened under, as you mentioned, some restricted capacity guidelines. And so we don't see that being a huge issue for us. We think it will be incremental. It will drive the total sales number. We need to get our restaurants to some higher volumes to get to this next level in terms of growing the business back. And consumers want to get out to eat, and they want to in a safe place, and these restaurants are set up to do that for them.

Operator

Your next question is coming from Brett Levy.

Brett Saul Levy - *MKM Partners LLC, Research Division - Executive Director*

And again, and I'll echo what you said. I hope everyone over there is doing all right. I guess if we could just go a little bit further into just how you're planning on reopening the units, whether it's just -- are you going to go with a capacity above, below what you think the local jurisdictions are saying, or you're going to have a national approach, how are you thinking about it regionally?

And then just when you think about the -- you said you brought back 10% of the furloughed. As you're building up sales, how are you thinking about layering on costs, given that we just don't know what the demand is going to look like? And you'd obviously like to err on the side of caution, both for your people, but also from a financial standpoint? And what do you think you need to see to get that cash burn? What's a fair number once you start reopening the stores to get that cash burn rate to a breakeven? Then I'll turn it to the queue from there.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Okay. Thanks, Brett. I'll cover the first part of that question, which is what's our system for opening -- reopening our dining rooms. Every -- like I said, all of these states and counties are appropriately limiting the capacities. So what we've got is a floor plan that is laid out for every one of our restaurants according to their configuration, that's probably around 50% capacity. That's where most of the restaurants are starting. But then you have states like Texas, who then are taking it a little bit even more conservative with 25% limits in most cases for the next couple of weeks. So we then just ex out a couple more tables. So we have a -- we don't -- we are -- this isn't a random process. We have a system. We have a team intact that's working with every operator in every state as they become able to open their dining room to put in the system, that puts in the safety, the sanitation and the systems in place for safety as well as the restaurant layout necessary to provide that distancing, that's so important in these environments and that will work. But it's absolutely a systemized approach that then gets modified for the specific restaurant in the specific market. And Joe can talk about the costs and how we make sure we're doing this in a cost efficient way.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes, Brett. We will take an extremely disciplined approach to any incremental spend as you kind of go through this process. And it's going to be very much guided by those traffic increases that we see. Again, it's looking how we balance to go off-premise side of the equation and bringing dining back in. Well, the incremental spend will lag as we kind of move through those upticks in traffic. We'll be very judicious in turning on some of those nonessential spends as we go. There's some that does come back in line. We want to make sure the restaurants are obviously erring significantly on the side of being clean and sanitized and costs associated with that. But I think, in short, we can manage that process. We -- scale and systems matter in this -- again, as Wyman had indicated, the ability to give our team members a very detailed labor models as they kind of move back into these systems is an important piece of the equation. So lots of guidance coming from at the [RSC], giving people the tools and disciplines to be able to manage those as they come back in. When I think through the -- I think the base of the question as to where do you see kind of cash flow neutrality from a performance standpoint, I kind of look into the down 30% range, maybe down 35%, something in that range. It will depend. There's a lot of inputs, and it depends to go into the -- those numbers. But I think that's kind of the range we would have expectations around starting to move back on to the good side of the cash flow situation.

Operator

Your next question is coming from John Ivankoe.

John William Ivankoe - *JP Morgan Chase & Co, Research Division - Senior Restaurant Analyst*

I think there are 2 related questions. First, I mean, obviously, you guys most didn't have the financial ability to hold on to all of your workers. But putting some workers on solo would actually allow them to make more compensation for a 4-month period than they would perhaps working in certain jobs within the restaurants. So can you kind of talk about that dynamic and your ability or what you think -- if you wanted to turn the switch back on reattracting some of those workers, if that's something that you think that you can do fairly easily, like as if it was a normal environment? Today is the first -- you kind of point to talk about that. And then secondly, obviously, looking at your financials, and I'm sorry it happened, it does look like there is a fairly big reversal in IC in the G&A side this quarter. Can we talk about -- as I think every company has reevaluated the fixed versus variable costs within their business, what you think the underlying kind of run rate back to normal G&A level is for your business, have you guys been able to sit down and go through that?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

John, good to hear your voice. Good to talk to you. From a compensation perspective and the unemployment benefits, it's -- we have mixed feelings about it. On the one hand, obviously, nobody asked for this pandemic, nobody asked to have their businesses shuttered, and there was nothing we really could do, especially given that we weren't being supported with any other government programs to help keep our team members on the payroll. So we spent $15 million to bridge them to unemployment and to the relief funds checks. And then we were grateful, frankly, that they had some government support with these improved and increased unemployment checks. That said, it's not a sustainable model, obviously, for the country, and we need to get back to work.

The good news is -- what we're seeing, and we brought 10% of those furloughed team members back already is that we were seeing them wanting to come back to work for a lot of reasons. Financially, it's probably a push, as you mentioned, and for a lot of our team members. These benefits are fairly good. But they also know that they need a long-term job, and they have a commitment to this company, and they've been, in some cases, part of this company for many, many years, and they're looking to get back to work.

They're not so short-sighted to say, "Hey, I'm just going to take these benefits and when the job comes I'll take a chance that I'll get it later," especially when you look at the potential unemployment situation down the road. So I think we're going to get past that. I think the other challenge is just how strong COVID is in the market. So those 2 factors are kind of dictating how many people are wanting to come back to work. But right now, we're bringing them back. We're not having the problem staffing our restaurants as we start to reopen. And Joe, do you want to talk on G&A?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes, John, I think as you pointed out, the delta in year-over-year G&A of almost 17 -- is almost -- is all driven by incentive comp. Some of that was a little bit of a timing -- a small portion of it is timing related to the previous conversations we've had about retirement-eligible comp being in the first quarter, but 15 to 16 of that number is driven by reversals of our existing annual performance comp plans. We obviously are near the end of our fiscal year. So those reversals are more acute in this kind of time frame as you're reversing what you have been accruing throughout the fiscal year. But it does show the variability in that number. I mean, again, is it -- from a go-forward basis, I think we'll have opportunities to talk about what that looks like as we get further down this path. We will be reestablishing programs of that nature as we look to the next fiscal year, and we'll talk about that as we go through that process. But that is the biggest delta you're seeing in these numbers right now. And I think it will be a couple quarters before you would get back to probably a more traditional G&A spend that you've seen if you look at the first and second quarters.

Operator

Your next question is coming from David Palmer.

David Sterling Palmer - *Evercore ISI Institutional Equities, Research Division - Senior MD & Fundamental Research Analyst*

And congrats on that takeout business, looking very strong there. The first question I wanted to ask you was about the timing of the stimulus checks. And does that coincide with the step change in your business? I think it really started on April 15. Wondering how you're thinking about that as, is that a sugar rush that might burn off? Or are you concerned about that? And then I guess on the other side, you're going to start to open up a lot of the restaurants, I would imagine starting next week. Do you envision that being a vast majority of your restaurants by June being open? And what is that capacity versus previous for those dining rooms?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

David, again, really good to hear your voice. Stimulus checks were absolutely a little bit of a boost to the category, right? I mean you can look at everybody's -- there are a lot of folks that have put out weekly results now through April. And you can see that pop, especially on that mid-week direct deposit day, where they just hit the direct deposits in 1 -- in kind of 1 push of a button. So you got that. It seems to be maintaining. Again, every week, we've seen sales grow. So it wasn't like it was a sugar rush, it only lasted for a few days or a week. It's now moving through.

I think, again, there's a lot of stimulus checks that are still going through the less efficient channels, whether it's the direct deposit. They didn't have as much information on or whether it's paper check. So there's still a lot of money that the government is going to be putting out there. Again, I think it's good -- it helps to sustain an economy that's in a very unique situation, but it's not the model that we're going to obviously live under. So we see it having a nice little pop, but not -- it's not the foundational thing that we're counting on. And I don't think it's the driver of the overall results we're seeing.

And so I think as we think about opening restaurants, we'll open -- by this weekend, we'll have 300 restaurants -- over 300 restaurants open. So Texas, Oklahoma, Utah and parts of Tennessee opened Friday. We already have Georgia opened for 2 days. So we have a little bit of -- so we have 2 days' worth of experience it looks like. We will continue to open with the guidance from the states and the governors of the states that set really the precedent for us to be able to open. We are confident in how we are opening. We're being very safe, very systematic about how we do this. Our restaurants are now planning to open. Obviously, this came a little faster than we had anticipated, so we were scrambling a little bit this week to get 300 restaurants open, in some cases a day's notice. But for the rest of them, they're now prepping and getting themselves set up for restaurant openings. And we anticipate -- what do you think, Joe, by June the majority of the system probably will be opened?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

I would anticipate that being the case. I think you'll probably see a steady flow of incremental opening plans. It appears that a number of other states have already made indications that those plans are forthcoming. So I'd expect to see that as we kind of move forward. But it will still be -- I mean there'll be some levels that probably delay after the other one, so.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

And it will be very interesting. Obviously, we, along with everyone in the country, we'll be watching the spread and the cases. And if these openings are -- we don't know if they're -- if they're premature. Those are big questions, right? Those are questions above our pay grade. We are relying on the guidance from the people that are running these -- the government, frankly. And we'll monitor that with everybody else in the country to see if we're too fast, then we'll probably end up dialing it back, but we're optimistic that these levels -- and when I walk into our restaurants and see the spacing and the -- I feel pretty good that the distancing -- I feel really good that the distancing in our restaurants is safe and that you could feel comfortable in these restaurants. There's nobody within 6 to 8 feet of you. You're almost private dining. So that gives us a lot of confidence that we're doing the right thing.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

I think the other thing, too, David, from an opening standpoint is that even within a state, you're going to see, I think, some different approaches based on urban versus suburban versus rural, particularly in your bigger states. And when you think about, again, the footprint we have, which tends to err on the suburban and exurban side of the equation and in some states, great, like Texas, great rural penetrations. I think you probably have -- you'll probably see some expediency in some of those openings around the country. So I think that plays well in that regard.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

And Georgia has been a good example of where our size helps. Our dining rooms are fairly large and they give us a lot of room. And so when you end up with -- the Georgia -- major Georgia constraint was 10 guests per 500 square feet. A lot of restaurants, especially smaller independent and a lot of urban restaurants, 500 square feet could be your dining room. A lot of fast casual, you don't have a whole lot more room than that. So with us, we have significantly larger dining rooms than that, so we can put quite a few more bodies in there, and that's going to be a constraint for some of the competitive -- for some of the competition.

Operator

Your next question is coming from Brian Vaccaro.

Brian M. Vaccaro - *Raymond James & Associates, Inc., Research Division - VP*

On that last point, Wyman, could you -- on reopening and just 2 days into it in Georgia, obviously. But can you give a little more detail or context around what that will look like from the guest experience standpoint, whether it be the safety measures that are in place? Whether it be the spacing that you're going to have in Texas versus Georgia? Just maybe some broader context of what it will look like from the guest experience? And is there any early feedback? I know we're 2 days in, but any early feedback on how the customers are using it and what's been response thus far?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Brian. So let me just maybe paint a visual for you. So if you walk into our restaurants, the doors will be open, there will be sanitizer right there at the front of the doors. You'll be sat at the table and there won't be -- and the 2 tables next to you, for the most part, won't be sat. And so there won't be a table next to you that's sat. There'll be a table that's usually a sanitizing station. That has paper towels and sanitizer. The table will be clear of almost -- there won't be anything on the table, and the menu will be -- we're working quickly to get new menus out, but they'll either be paper or they'll be easily cleanable menus, kind of 1 or 2 pagers. So everything that's gone into it.

The bars will not be sat at the bar top. So the bars -- we won't have patrons at the bar because that's very hard to distance and it's also hard to regulate. So we will have some tables pushed up to the bar. So the bartender could react with a party, interact with a party, but they'd be 6 feet away or more. And that's how it feels. And so when you walk in, again, the spacing is there, and all of our servers will be masked and gloved. And they will also have been asked before they can check-in several questions about how they're feeling, have they taken their temperature that day, we have a -- we have a thermometer in the restaurant that they can use if they haven't. And before they can check-in, they have to validate that they feel good and they're ready to work, and they haven't come in contact with anyone that they're aware of. So we're taking all the steps necessary we think -- and I think, as a guest. And everything we've heard in Georgia over the last couple of days has confirmed that the guests that are coming in are feeling good about it. Joe, do you want to talk about what we've seen in Georgia for 2 days? So let me just caveat. It's 2 days worth of data in 38 restaurants on a Monday, Tuesday, but here's what we've seen in 2 days.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes. And Brian, one of the things, too, I think that's very relevant here is that we've had operators in restaurants game planning this for a couple of weeks now. So the ability to go into restaurants and work the floor plans, have the design teams helping from a safety and security standpoint, understanding how these flows can work. I mean, again, we're getting a little -- we've got some openings happening slightly faster than we thought they might. But we're prepared for that because of the work, again, and the backdrop and the scale that we can bring as to the operators and helping in this regard.

First couple of days in Georgia, again, we think the dining room piece of the equation has been incremental. We've seen on an aggregate basis, down in the mid-20s has kind of been the first 2 days' response. Interesting thing is, and there's going to be some great learnings over the next several weeks coming out of these areas, that you do see some variances, too. We actually have had several restaurants with positive comp sales year-over-year. That's positive comp sales. So you do get a wide variety of responses, depending. Again, I think some of my comments about the regional flavor in responses and where people's heads might be at from a -- but there's clearly a demand side out there that we're seeing in a number of locations.

Brian M. Vaccaro - *Raymond James & Associates, Inc., Research Division - VP*

All right. That's really helpful. And just switching back to the weekly cash burn that you gave, the $5 million a week. Can you run through the primary buckets within that burn rate? And does it include full rent payments?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

It's a comprehensive number, looking at, again, the entire revenue and disbursement side of the equation. So it does include CapEx and some of those things. It does not include full rent payments. We, in April, made rent payments that approximated about 56%, 57% of expected rent. We've obviously been working aggressively with landlords in a very cooperative environment, too. I think -- I mean, again, we're pleased with the discussions on what deferrals look like kind of going forward. But it will be -- there will definitely be a level -- a meaningful level of rent incorporated into that. And of course, those numbers will adjust, Brian, as we now move into in the new environment. So -- but it's comprehensive behind -- besides that.

Operator

Your next question is coming from Gregory Francfort.

Gregory Ryan Francfort - *BofA Merrill Lynch, Research Division - Associate*

I had 2 quick questions. The first is can you talk about like how you're thinking about 2021? And I think a lot of people who are listening to this call are trying to balance maybe a more pressured consumer with significantly reduced competition. And I'm curious just what your thoughts are? And then the other question I had was a couple of your competitors have done equity raises to kind of -- I don't know if it shore up the balance sheet or maybe kind of increase the flexibility coming out of this. And I'm curious what your thoughts are on the possibility of Brinker doing that and kind of balancing raising cash with the dilution that, that would bring?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Greg, listen, we're in the same boat with everybody else, right? What's the recovery going to look like? Is it a V? Is it a U? Is it an O? Who knows? So what we are committed to doing is just really performing at the top of the industry in whatever environment it shows or given in our fiscal '21, which starts in a couple of months. So I can't tell you. I know there will be obviously some headwinds. The unemployment situation isn't going to rectify itself overnight, but there are also going to be some tailwinds. There are going to be less seats in the category. I mean there are absolutely going to be less seats. And so how that all maps itself out and how much pressure you get from the front versus push you get from the back, I don't know. We'll start to get a sense for that here over the next couple of months. But we're kind of going to commit to just performing at the top of whatever environment gets put in front of us.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

And Greg, to the second part of the question, I don't have anything really specific to say to any type of capital raise. But again, we kind of start the position being much -- more comfortable today from a liquidity standpoint. I think the numbers we gave you this morning show the ability to work through the bridge to the other side of the equation. The bridge is actually starting in short order here as we move back into dining room openings. I do believe those will be over time positive to the liquidity. So we're comfortable from a liquidity standpoint. That being said, we're monitoring capital markets closely. We have great conversations with our bank group. That's -- they're important partners in working through these situations. We continue to have those constructive comments, particularly as it relates to some of the incremental availability on the revolving credit and we'll just monitor capital markets as we kind of go-forward from that position.

Operator

Your next question is coming from Nicole Miller.

Nicole Miller Regan - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Could you talk a little bit about the supply chain? Now we've heard about plants closing down, and I'm just wondering if there's going to be a lag there, if there's any concerns that might materialize or if -- or not?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Nicole, really not right now, not net near term. And again, I think if you're -- and I know you are aware that a lot of the supply chain issues that are out there are because of the lack of demand in the food service sector. And obviously, we're one of the bright spots in that sector that's allowing them to produce product, it gets to us. And again, a lot of our protein has already been put up and we're not dealing with a lot of fresh protein. So we're in pretty good shape, and we don't see any near-term issues. Obviously, if this goes on forever or for a longer or extended period of time, then there could be something. But in the near term, we don't see any major issues in our supply chain, feels pretty confident in that.

Nicole Miller Regan - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

And earlier, you addressed labor and the ability to get the employees back into the restaurant, across the board in restaurants and retail, some premiums have been paid in the market recently. What's your outlook on labor inflation, please?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, there's 2 things that I'll mention. One is just -- it's been really uplifting to see the generosity of our guests during this crisis. And the level of tips, and I could tell you stories of -- multiple stories of guests coming in and tipping team members hundreds of dollars. And so there's a lot of -- again, a lot of our team members rely on tips. And that piece of the income has been really -- they've done very well with that. So they're making good money, the ones that are employed with us. And with regard to what we're going to need to bring people back. So far, it hasn't taken a lot. Again, this is the good news, bad news of unemployment. So 26 million people looking for work, I don't think we're going to have a hard time finding jobs, finding people to fill our jobs. That's going to have a bigger issue with what's the economic impact of that on the other side. But we're not seeing or don't anticipate a big inflationary impact due to this virus or this crisis.

I will say -- Nicole, let me just mention one more thing with regard to the people in the restaurant. Our managers and our -- and they're doing an amazing job. When we talk about front line workers through the pandemic, people that are out there, allowing businesses to stay open, to keep people employed in the phase of the pandemic, I couldn't be proud of the work they're doing. And because of the financial implications it's had on the business, they're not getting the level of bonuses and some of the things that they've used to get because of just what's happened financially to the economy. And our first commitment is to making sure that we take care of those people. And so we may pay bonuses out to team members for levels of performance that we typically wouldn't during this crisis. And that has nothing to do with what we have to do to keep them. That has more to do with what we need to do to really recognize the sacrifices they're making during this crisis.

Operator

Your next question is coming from Chris O'Cull.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

First, Joe, I appreciate the update on the Georgia locations, but I'm wondering if you could quantify the limits to sales recovery as a result of maybe reducing the capacity of those locations?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Well, Chris, again, it's going to depend because you're dealing with typically capacity restraints based on your occupancy levels or in George's case, you've got a square footage restriction. But that plays differently in each restaurant and frankly, almost every day part throughout the week. So obviously, capacity constraint on a Friday night is different than a capacity constraint on a Monday lunch.

So we'll see the progression of that. We'll learn from that as we kind of go. But different restaurants are going to react differently. They're going to be restaurants that from their traditional operating performance level may not have as much of a capacity constraint. And then there will be others that have a more significant one, particularly in those busier dayparts. But you also have the robust to-go side of the equation. And we don't expect that to go away anytime in the near future.

Again, I think there's -- we have introduced a significant number of guests to Chili's during this process, in particular, and Maggiano's has had some of the same benefits and folks getting to experience the to-go operations and how we perform to their liking in that regard. So I think to the extent that the consumer continues to gravitate towards an off-premise environment, we will benefit from that.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. I'll just add, Chris, the trade-offs are going to be, as Joe mentioned, really on those high-volume time periods you -- how much are you going to shift from takeout to dine-in and how does that play? I also think it's going to be a very interesting dynamic to see how long people will wait for a table. So my hometown here in Texas Colleyville opened up their patios this weekend, you may have seen in national news. And people were waiting 2.5 hours to get a patio seat.

Now we have a great table management system that allow people to wait in their cars and we can page them when their table is ready. And I anticipate people will wait a little longer to get a seat and to be taken care of in the dining room. We're seeing people kind of dine in our parking lot in the back of their cars and their trucks. So it will just be very interesting to see how they play out this summer as we get through some of these capacity issues. But overall, the trade-off between dining room and takeout and delivery will be the dynamic that really matters to overall volumes.

Christopher Thomas O'Cull - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Analyst*

And then just 1 last 1, Wyman. How does the company plan to utilize advertising as stores reopen? You talked about the long waits right now. I mean is it worth using advertising to generate more demand? Or do you plan to maybe delay that?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. We're right now really leaning into -- again, this is where all the investments and all the expertise we've developed over the years with direct and digital and loyalty have really come in handy and paid dividends for us. And that's what we're leaning into now. I think mass and broad traditional marketing is probably not going to be as effective in this environment, where we've got capacity demand, and we're really being much more targeted, and we'll evaluate future marketing spends as the environment starts to move. But right now, we're really doubling down on the digital, social and direct marketing, and our team is doing a great job with that.

Operator

Your next question is coming from Robert Derrington.

Robert Marshall Derrington - *Telsey Advisory Group LLC - MD & Senior Research Analyst*

Bob Derrington with Telsey Advisory. My question, I guess, Joe, Wyman, I'm not sure who best handles this. Typically, we've seen illness, food-borne illness across the industry pop up from time to time. And all of a sudden, you've got lawyers chasing lawsuits. And yes, I'm just wondering, how do you minimize that risk? Or is there any risk of an employee, a customer leaving and ultimately saying, "Listen, I was -- I got ill by visiting a Chili's restaurant in a certain location." Do you require your employees to wear masks? Do you take their temperature? Does that vary by store? And what about consumers? Do you require them to wear a mask? I'm just curious from your standpoint.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

So Bob, yes, we don't -- first from -- our standards are nationwide, and they're -- and we are strictly adhering to them and making sure that, that happens. And so it's masks and gloves and sanitizer and distancing and we take it very, very seriously. I think one of the reasons, if not the most important reason as to why we've continued to see our sales grow every week and our gap to the category grow every week since the pandemic hit is because of the obvious seriousness with which we've taken safety. And it's visible to our guests and to our team members. And that's kind of nonnegotiable. Now we do ask them, as I mentioned, are they feeling well? Have they taken their temperature? Have they been in contact? Do they feel ill? They have to answer these questions before they can clock in. And if they haven't taken their temperature and can't verify that they've -- they don't have a temperature, we have a thermometer in the restaurant that they can go take their temperature and verify for us that they're not feeling bad. So we're doing everything we can on that side.

And then from a consumer standpoint, we really rely on whatever the restrictions are in the county or in the state. So if the state mandates, everyone wears masks, then we expect everyone to be wearing a mask. And if they don't, then we're not going to be enforcing standard above and beyond. We know social distancing is the right thing to do, and we have social distancing set up within our restaurants while we work through this next phase. So that's kind of how we're dealing with it. In terms of how do we deal with future lawsuits, we're not focused on that. We're doing the right thing. We know that if we just do the right thing, we should be okay relative to kind of everything that you can expect in this crazy world of COVID.

Robert Marshall Derrington - *Telsey Advisory Group LLC - MD & Senior Research Analyst*

It's comforting to hear, Wyman. As we look at 1 earlier question, on the sales mix of the beginning of April to the most recent trend, can you give us some color on how that mix has varied? I know that a number of states have allowed delivery of alcohol per se. How have your alcohol trends changed over that time? Is that one of the key contributors? And will that be there available after the dining room is reopened?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, so first, I mean, again, back to the quality of this team, if you'd told us 2 months ago that we'd be selling mixed drinks to people in cars, this was not on anyone's radar screen. And as soon as those became viable options, in some states, being able to sell mixed drink in a sealed container, in some cases, being able to sell packaged goods with margarita kits, we got all over it and our supply chain really supported us in ways that were pretty amazing. And we've grown that piece of the business. It represents over $1 million a week now in sales and it's grown nicely. And we feel very good about it. Now what the future holds? I mean, again, most of these things were temporary kind of acts that were put in place by the governments. And so we'll see how they hold and how long they hold. But as long as they hold, we're comfortable now. We've got a great product. Guests really enjoy it. And we're having a good success selling margaritas to people in cars.

Robert Marshall Derrington - *Telsey Advisory Group LLC - MD & Senior Research Analyst*

A Presidente on the ride home with a straw. That's a great way to do it.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

No, no, no, not with a straw. Nobody is drinking them. You got to get -- not until you get home, geez.

Operator

Your next question is coming from Jon Tower.

Jon Michael Tower - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Just a question on the balance sheet, specifically, I'm curious to know how long the covenant waivers last that you received? And then in terms of thinking that's out along the lines of how your business progresses, when you return to the negotiating table with some of the lenders, how can we think about your total shareholder return potentially changing given that your dividends and your purchases have been a significant piece of the TSR over the past several years?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Jon, I think as we indicated in the press release relating to the amendment that we received waivers for the 2 quarters at that point. So basically, it would be this quarter and the fourth quarter, reestablished a covenant mark of -- on the leverage side of the equation, 4.75% for the first quarter of fiscal '21. So that's kind of the dynamic as it relates to that. And as I indicated, obviously, ongoing conversations with the banks. And particularly as you start to move now into these next phases, kind of understand what that looks like, understand what some of the go-forward dynamics. And that includes how you structure a covenant package in this new environment going forward after that -- after those time frames. So a lot of good conversations going there. As it relates to the other part of the question, that's a -- I think that's a discussion for down the road. Some of the dynamics you mentioned were suspensions. We'll talk about capital allocation on a go-forward basis at a future time and how that impacts the TSR question.

Jon Michael Tower - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Okay. Then just -- it's great to hear that the majority of your stores are still open. But in terms of thinking about your asset base, is this giving you an opportunity to potentially -- I don't want to put it too crassly, but in terms of pruning the portfolio of stores where you felt like they were marginal with respect to operating relative to the rest of the system, is this giving you an opportunity to essentially say this is time to get rid of them?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Well, Jon, we do those looks on an ongoing basis. I think we talked to you about twice a year in-depth reviews on performance. We've -- frankly, we've done a good job of incrementally pruning over time. So again, this is a new data set. It will create a new environment that will play into those decisions. But we aren't sitting with a lot of restaurants to think -- as you described, kind of teetering on the edge. I think, again, the actions we take on an ongoing basis and the fact that we've kept really all the restaurants open except some that might have been in a physical location that couldn't open because of that location speaks well to the condition of the fleet.

Operator

Your next question is coming from John Glass.

John Stephenson Glass - *Morgan Stanley, Research Division - MD*

Just a couple of follow-ups. First, I know that franchising isn't as big a piece of your business as it once was. But can you comment on the health of your domestic franchisees as well as maybe some of your international franchisees as they've probably gone through the same issues that the whole -- rest of the industry has faced? And can you talk about on delivery, is there any capacity constraints? Or are you noting that third-party is having difficulty getting the capacity drivers to fulfill your demand as others are also seeing that? Or has that been a pretty -- or has that been a pretty smooth transition to a greater delivery percentage from their perspective?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

John, good to hear from you. Yes. We're -- our franchisees are performing inconsistent with us, with company-owned restaurants. Obviously, we have a couple of franchisees that are unique like our airport franchisee, who is having their own situation relative to the airport environment. But those that are -- the majority of ours are similar to us with regard to their locations and their markets, and they're seeing similar kind of results. So feel good about how the bulk of the franchise base is kind of weathering the crisis.

The international market is much more -- it's just a much more dynamic situation, a lot of closures and then reopenings. Again, as you've tracked the global markets, you know how the pandemic has kind of moved through different parts of the world and our restaurants and franchisees have had to deal with that. So we've seen more closures in the international markets than we have as a percentage in the U.S. But again, overall, I think they're faring as well as can be expected or consistent with how retail and restaurants are doing in those markets and they're working their way through. And in some cases, they're further along in the process of moving out of the COVID crisis than we are in the U.S. So continue to monitor it, not a huge part of our business. So that's important to note on the international side, and it's more volatile. But again, it just doesn't impact our overall earnings performance that much.

Jon Michael Tower - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

And then delivery?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Delivery. Yes. We've got -- we have no problems. I mean the biggest challenge we're seeing, the online world is just the demand has been tremendous, and they're setting new records every weekend with regard to number of users on the systems. And so just getting all of that to work smoothly and making sure that everything is kind of working under the pressure that it's been put under has been probably their biggest challenge, but we haven't had a problem with getting drivers to pick up orders. That's not been our issue. And we've had really good -- in our partnership with DoorDash, we're just pleased with it. We think they're a great partner. And the work we've done over the last year to grow the business and to understand their business and our business, we couldn't be happy with that relationship.

Operator

Your next question is coming from Eric Gonzalez.

Eric Andrew Gonzalez - *KeyBanc Capital Markets Inc., Research Division - Restaurants Analyst*

Just wondering if you could discuss how consumer behaviors have changed with regards to off-premise. So in other words, like how much is check size increase? And are there specific items or deals that you're seeing a higher menu preference as people experience cooking fatigue?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Eric, it's interesting, right? So first, the check size increases have been there, I think, as we've seen more families kind of move into this category than probably were there before. The biggest challenge and kind of one of the things that we've talked a lot about, our comp sales. When you look at the difference between comp sales and comp traffic, our comp traffic numbers are 5 to 6 points better because the to-go check and the delivery checks tend to run a little lower, primarily because they don't have alcohol sales.

And while we're pleased with the $1 million a week we're selling in margaritas to-go, that's a fraction of what we used to sell when we obviously have a dining room and a bar. And so that's been probably the biggest difference between the mix of what we were seeing inside the restaurant and outside. Beyond that, the value propositions that we had. So interestingly, when we went into the crisis, we thought we're going to have to simplify our menu, like many have done. And then we actually challenged ourselves to say, "Hey, listen, that creates a lot of problems for our guests who love their favorites and for our supply chain because there's a lot of product out there that if we simplify the menu, what's going to happen to that product."

So we challenged ourselves to run the full menu, and we've done that. And we've been able to pull that off and still deliver the kind of P&L performance that we needed to and the operational side of the equation. And that's partly because our dining rooms are -- the to-go experience is complicated. But our kitchens aren't as busy as they've normally been. So they're able to pull this off, and our operators did a great job, our supply partners and our distributors adjusted, and we've made all these changes to the system to make that work for us.

And so overall, our mix is leaning a little heavier into the value propositions that we have always had. And that was also really, I think, a strength of ours. So we didn't have to innovate or create a whole lot of packages or new deals or family bundles that we've seen a lot of other folks do. We've just ran our menu and our menu has inherent strength in it. And that's Chili's. Maggiano's had to make a few more modifications, just because of the nature of their sit down dining experience. But for Chili's, we just ran what we ran, they eat it and for the most part, with the exception of alcoholic sales, the checks kind of line up.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes. Everyone, as we're coming up against the hour, we will go over for a short period of time, probably 5 or 10 minutes. We'll get through as many of the questions as we can. We know there's a lot of folks. Obviously, you'll have a chance to talk individually after the call. But we'll keep going on comments, but I just want to let you know, we are -- we're probably down to about the next 10 minutes or so.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

And we're cognizant of your time, too. And if we miss you, those that have to check off, we appreciate you joining us.

Operator

Our next question is coming from Katherine Fogertey.

Katherine Irene Fogertey - *Goldman Sachs Group Inc., Research Division - VP & Derivatives Research Strategist*

So just 1 point of clarification here. When you reopened the dining room, you mentioned having a 1 or 2 page menu. Is that going to be in a bridge menu? Or have you figured out a way to condense all the prior menu items onto that page? How are you thinking about menu in dine-in when you reopen? And I have a follow-up.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, again, it's going to take us a couple of days to get menus out in a bridge format, but it will be -- it won't be -- it will be the full menu. It will just be in a different layout. So yes, we don't need to change it.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

I'll change pictures.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. And we're going to encourage guests to -- listen, they can always -- if guests are nervous about menus, they can pull up their phone and pull up our app and scan our menu from their phone, and that's an easy -- it's an easy way to order as well, again. So if anyone's nervous or at all not comfortable with the menu, there's touchless systems that will be there -- that's pretty much a touchless system that we have that they can take advantage of if that's at all important to them.

Katherine Irene Fogertey - *Goldman Sachs Group Inc., Research Division - VP & Derivatives Research Strategist*

And then on -- I apologize if you gave this figure explicitly. But do you have an update on My Chili's Rewards members? And any findings you're seeing about new additions to the platform, given your digital strength as of late?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

The platform's kind of holding its own. We signed up a lot of people into My Chili's Rewards through our dining room. And so when we lost our dining room, we did lose a source of acquisition. But obviously, that's been traded off with online acquisitions. So net-net, it's a little bit -- actually a little bit down, but it's still kind of robust and doing well for us, working as hard as it's ever worked.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes, the active database is still over 8 million folks. So it's -- it has the capability to do what it needs to do.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

And as we open dining rooms again, we'll start to grow that. We'll get that acquisition vehicle back up and running.

Operator

Your next question is coming from Dennis Geiger.

Dennis Geiger - *UBS Investment Bank, Research Division - Director and Equity Research Analyst of Restaurants*

Wondering if you could talk a bit more about new guests. And if you have any sense that you could share as it relates to the relative magnitude of newer guests using the brand? Maybe just on top of that, any sense on sort of customer perceptions and perception scores over the last several weeks and as we kind of think about marrying those 2, how you think about the stickiness of new guests that you've seen over the last several weeks?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, every channel is a little different, right? So I think on the delivery side, where the business is, again, both our takeout and delivery business have more than doubled, almost tripled. The delivery side of the business, we're getting a lot of new users. A lot of people that are experiencing delivery for the first time and then finding the Chili's delivery experience for the first time. So that bodes well. All of our metrics through that system confirm that we do a good job and that our guests are happy and that we have a good kind of conversion rate.

With regard to new guests with takeout, it's probably not as many. Here's where the loyal guests of Chili's are coming to find that experience that they can trust and count on in these uncertain times, and we see a lot of our loyalty. This is where leveraging our loyalty database really comes in handy and is working hard for us. So we are getting new people into the brand every day, but kind of -- it's different by category or by column. And we have seen our experience -- so we have guest metrics. And our guest metrics on delivery and takeout have significantly improved through this process. Really, we've improved them to a magnitude of 30% better than they were in that channel prior to being a delivery takeout-only model.

Operator

Your next question is coming from Andrew Strelzik.

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

I guess just 2 questions for me, and I apologize if you mentioned this and I missed it. As we're seeing a lot of the new delivery customers come into the brand, as your mix change between the 2 channels, is it still primarily coming through third-party? Would be the first question. The second one, just as we think in a post recovery environment, about sanitation and cleaning measures or anything like that. Would you anticipate any structural kind of margin implications as we kind of move past the recovery phase?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

So on the first one, Andrew, I'm not sure I understand your question. All of our delivery comes through DoorDash. So...

Andrew Strelzik - *BMO Capital Markets Equity Research - Restaurants Analyst*

Delivery, to-go.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

So you're asking about the to-go/delivery mix, how that -- those 2 -- yes. They've both grown significantly. They both more than doubled. They're pushing on triple -- the relationship has been -- the growth has been a little better of absolutely percentage with to-go. But the delivery business has also grown very nicely.

And, Joe, on sanitation and costs associated?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Again, we would anticipate some incremental costs associated to those. Again, sanitation and safety are already embedded in the business model. There's probably some incremental level. Will go for some period of time, but it's incorporated and thinking it's going to be very manageable in that regard.

Operator

Your next question is coming from Peter Saleh.

Peter Mokhlis Saleh - *BTIG, LLC, Research Division - MD & Senior Restaurant Analyst*

Great. And I appreciate all the color you guys provided today. I just want to come back to the comment on supply chain. I think you said you're not seeing any real impacts on the supply chain. With that said, do you expect or do you anticipate any sort of either deflation or inflation in any particular commodity? Anything that may be different than what you guys were anticipating a few quarters ago?

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Yes. I think, Peter, overall, we're seeing a little more -- a little less inflation, I should say. So the expectations on the inflation level are down probably about 1% or so now. Again, remembering that our contracting is designed to try and mitigate as much volatility as possible. So it gives us a little bit more of a steady state there. We do expect commodity markets will probably have some -- in some areas, some higher level of volatility as you kind of move through an economic cycle like this. We're protected on one side and frankly, have the ability, in some cases, to take advantage of some volatility when we see it in -- particularly in some of the proteins and how we structure and extend contracts if we choose to do that. But again, supply chain is all over it. And I think as we look further down the line, probably a little bit better environment overall than what we might have been expecting a couple of months ago.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. I think the other one that's probably hasn't played out yet is just if gas prices continue to stay at these extremely low levels, that will roll through commodity pricing as well as distribution, obviously. So we'll see how that plays. But again, more upside to the P&L than downside.

Operator

Your next question is coming from [Christopher Carroll].

Unidentified Analyst

So it was noted in the release that online ordering accounted for 70% of off-premise orders in the most recent month of data provided. So how did that trend since March? And where is that currently running? And can you talk a little bit more about how you plan to leverage those digital relationships over the long term?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Well, the trend obviously has tripled with the business. So we went from a business that was running 18% to 20% to 100% takeout and delivery. And the mix within that has pretty much stayed the same. We get -- a percentage of our guests prefer to call in. And we -- as much as we would rather than get online, they're just going to call us and we're happy to answer their phones and take their order that way. So that's kind of just the difference. And I'm sorry, Chris, what was the second part of the question?

Unidentified Analyst

Yes. Just asking about how you just plan to leverage any more of these kind of digital relationships, the new ones over the long term?

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. We're always trying to -- both within our formats and even with our DoorDash partner, working to create a more, what I'll call, sticky relationship, a more direct relationship. We share information for a reason. We offer benefits through our loyalty programs. So we're always -- whenever we have an opportunity to make a connection through one of these vehicles, we look to cement that through a more permanent relationship through our loyalty program. So that's what we're doing. And as I mentioned earlier, we're growing the database through our digital very nicely. It's just being offset a little bit because we don't have that same relationship building the opportunity in dining room. So we look forward to getting that back, and the 2 of those will help us continue to grow our database nicely.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

So everybody, we've actually hit that time period that we're going to end the call. Our apologies to the queue that continues to remain. We -- Mika is available. I will be available. We'll obviously welcome the continued conversations as we kind of go forward. Thank you for participating this morning, and I'm sure we will be talking soon. Everybody, please stay safe.

Wyman T. Roberts - *Brinker International, Inc. - CEO, President & Non-Independent Director*

Yes. Thank you. Appreciate it.

Joseph G. Taylor - *Brinker International, Inc. - Executive VP & CFO*

Thanks, everybody.

Mika Ware - *Brinker International, Inc. - VP of Finance & IR*

Bye-bye.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.
