

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported): February 1, 2023



BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DE

(State or Other Jurisdiction of Incorporation)

1-10275

(Commission File Number)

75-1914582

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

**3000 Olympus Blvd
Dallas TX**

(Address of principal executive offices)

75019

(Zip Code)

(972) 980-9917

(Registrant's telephone number, including area code)

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

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

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

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

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

Emerging growth company

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

SECTION 2 – FINANCIAL INFORMATION

Item 2.02. Results of Operations and Financial Conditions.

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

On February 1, 2023, Brinker International, Inc. (the “Company”) issued a Press Release announcing its second quarter of fiscal 2023 results and updates fiscal 2023 guidance. A copy of the Press Release is attached hereto as Exhibit 99.1.

SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release dated February 1, 2023.

SIGNATURE

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

Dated: February 1, 2023

By: /S/ KEVIN D. HOCHMAN

Kevin D. Hochman,
*President and Chief Executive Officer
of Brinker International, Inc.
and President of Chili's Grill & Bar
(Principal Executive Officer)*



BRINKER INTERNATIONAL REPORTS SECOND QUARTER OF FISCAL 2023 RESULTS; AND UPDATES FISCAL 2023 GUIDANCE

DALLAS (February 1, 2023) – Brinker International, Inc. (NYSE: EAT) today announced its financial results, for the second quarter ended December 28, 2022.

Second Quarter Fiscal 2023 Financial Highlights

Our results for the second quarter of fiscal 2023 were driven by a solid increase in company sales and improved restaurant operating margin. Our brand's ability to implement incremental menu pricing and drive positive item mix led to a 9.7% increase in comparable restaurant sales for the second quarter of fiscal 2023. Specifically, Maggiano's experienced strong holiday sales in all channels, including dining room, banquet and to go, exceeding pre-pandemic levels. Restaurant operating margin improved over the first quarter of fiscal 2023 due primarily to the increase in sales and moderating commodity inflation. Commodity inflation for the quarter increased meaningfully year over year and will continue to be a headwind, although at a diminishing rate as we move through the rest of the fiscal year. We increased facility expenditures at our restaurants in the second quarter in alignment with our commitment to improving our guest experience and ensuring our restaurants are in good repair and well maintained.

“Our second quarter performance represents a positive step forward for our new approach,” said Kevin Hochman, Chief Executive Officer and President of Brinker International. “Our focus on the team member and guest experience, coupled with a more strategic pricing strategy has allowed us to grow our top line and sequentially improve our margins. We will build on this solid foundation as we continue to implement our strategic initiatives and move the business forward.”

Second Quarter Financial Results

	Second Quarter		
	2023	2022	Variance
Company sales ⁽¹⁾	\$ 1,009.4	\$ 915.8	\$ 93.6
Total revenues	\$ 1,019.0	\$ 925.8	\$ 93.2
Operating income	\$ 40.7	\$ 39.8	\$ 0.9
Operating income as a percentage of Total revenues	4.0 %	4.3 %	(0.3)%
Restaurant operating margin, non-GAAP ⁽¹⁾⁽²⁾	\$ 117.0	\$ 110.9	\$ 6.1
Restaurant operating margin as a percentage of Company sales, non-GAAP ⁽¹⁾⁽²⁾	11.6 %	12.1 %	(0.5)%
Adjusted EBITDA, non-GAAP ⁽²⁾	\$ 91.0	\$ 87.8	\$ 3.2
Net income per diluted share	\$ 0.62	\$ 0.60	\$ 0.02
Net income per diluted share, excluding special items, non-GAAP ⁽²⁾	\$ 0.76	\$ 0.71	\$ 0.05

Comparable Restaurant Sales⁽³⁾

	Q2:23 vs 22
Brinker	9.7 %
Chili's	8.0 %
Maggiano's	21.2 %

- Company sales⁽¹⁾ increased 10.2% to \$1,009.4 million driven by a comparable restaurant sales increase of 9.7%. The increase in comparable restaurant sales is due primarily to increased menu pricing, favorable menu item mix, plus the favorable impact of increased sales from fiscal 2022 acquisitions partially offset by lower traffic. Chili's and Maggiano's comparable restaurant sales increased 8.0% and 21.2%, respectively.
 - (1) Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section below for more details.
 - (2) See Non-GAAP Information and Reconciliations section below for more details.
 - (3) Comparable Restaurant Sales include restaurants that have been in operation for more than 18 months. Restaurants temporarily closed for 14 days or more are excluded from comparable restaurant sales. Percentage amounts are calculated based on the comparable periods year-over-year.

Updated Full Year Fiscal 2023 Guidance

We are providing the following updates to our full year fiscal 2023 guidance. The uncertainties created by current macroeconomic conditions, among other risks, could cause actual results to differ materially from those projected.

- Total revenues are expected to be in the range of \$4.05 billion - \$4.15 billion;
- Net income per diluted share, excluding special items, is expected to be in the range of \$2.60 - \$2.90;
- Capital expenditures are expected to be in the range of \$170 million - \$180 million;
- Weighted average shares are expected to be in the range of 44 million - 45 million.

We are unable to reliably forecast special items without unreasonable effort. As such, we do not present a reconciliation of forecasted non-GAAP measures to the corresponding GAAP measures.

Basis of Presentation

Effective for the first quarter of fiscal 2023, we are presenting certain revenue streams within Company sales to better align with the presentation used within the casual dining industry. Our presentation of Franchise revenues will now include only revenues related to the franchise-operated restaurants. Comparative figures in prior years have been adjusted to conform to the current year's presentation. These reclassifications have no effect on Total revenues or Net income previously reported.

Company sales include revenues generated by the operation of Company-owned restaurants including food and beverage sales, net of discounts, Maggiano's banquet service charge income, gift card breakage, delivery income, digital entertainment revenues, merchandise income and gift card discount costs from third-party gift card sales.

Franchise revenues include franchise royalties, franchise advertising fees, franchise and development fees and gift card program fees.

Second Quarter of Fiscal 2023 Operating Performance

Segment Performance

The table below presents selected financial information (in millions, except as noted) related to our segments' operational performance for the thirteen week periods ended December 28, 2022 and December 29, 2021:

	Chili's			Maggiano's		
	Second Quarter		Variance	Second Quarter		Variance
	2023	2022		2023	2022	
Company sales ⁽¹⁾	\$ 869.3	\$ 798.4	\$ 70.9	\$ 140.1	\$ 117.4	\$ 22.7
Franchise revenues ⁽¹⁾	9.4	9.8	(0.4)	0.2	0.2	—
Total revenues	\$ 878.7	\$ 808.2	\$ 70.5	\$ 140.3	\$ 117.6	\$ 22.7
Company restaurant expenses ⁽²⁾	\$ 780.1	\$ 707.4	\$ 72.7	\$ 112.2	\$ 97.3	\$ 14.9
Company restaurant expenses as a % of Company sales ⁽¹⁾	89.7 %	88.6 %	1.1 %	80.1 %	82.9 %	(2.8)%
Operating income (loss)	\$ 48.4	\$ 56.0	\$ (7.6)	\$ 23.0	\$ 15.0	\$ 8.0
Operating income (loss) as a % of Total revenues	5.5 %	6.9 %	(1.4)%	16.4 %	12.8 %	3.6 %
Restaurant operating margin - non-GAAP ⁽¹⁾ ₍₃₎	\$ 89.2	\$ 91.0	\$ (1.8)	\$ 27.9	\$ 20.1	\$ 7.8
Restaurant operating margin as a % of Company sales - non-GAAP ⁽¹⁾⁽³⁾	10.3 %	11.4 %	(1.1)%	19.9 %	17.1 %	2.8 %

(1) Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section above for more details.

(2) Company restaurant expenses includes Food and beverage costs, Restaurant labor and Restaurant expenses, and excludes Depreciation and amortization, General and administrative and Other (gains) and charges.

(3) See Non-GAAP Information and Reconciliations section below for more details.

Chili's

- Chili's Company sales increased primarily due to increased menu pricing, favorable menu item mix and the acquisition of 68 restaurants in fiscal 2022, partially offset by lower traffic.
- Chili's Company restaurant expenses, as a percentage of Company sales, increased primarily due to commodity price inflation, higher repair and maintenance expenses, manager salaries and bonus, hourly wage rates, staffing levels, rent and utilities expenses, and delivery fees. These increases were partially offset by sales leverage.
- Chili's franchisees generated sales of approximately \$213.4 million for the second quarter of fiscal 2023 compared to \$201.8 million for the second quarter of fiscal 2022.

Maggiano's

- Maggiano's Company sales increased primarily due to higher dining room and banquet traffic and increased menu pricing.
- Maggiano's Company restaurant expenses, as a percentage of Company sales, decreased primarily due to sales leverage. The decreases were partially offset by commodity price inflation, higher hourly wage rates, delivery fees, and repair and maintenance costs.

Income Taxes

- On a GAAP basis, the effective income tax rate was a benefit of 3.0% in the second quarter of fiscal 2023. The effective income tax rate is lower than the statutory rate of 21% due primarily to leverage of the FICA tip credit and the impact of aligning fiscal 2023 year-to-date tax expense with the current estimated annual tax rate. Excluding the impact of special items, the effective income tax rate was an expense of 4.8% in the second quarter of fiscal 2023.

Webcast Information

Investors and interested parties are invited to listen to today's conference call, as management will provide further details of the quarter and business updates. The call will be broadcast live on Brinker's website today, February 1, 2023 at 9 a.m. CDT:

<http://investors.brinker.com/events/event-details/q2-2023-brinker-international-earnings-conference-call>

For those who are unable to listen to the live broadcast, a replay of the call will be available shortly thereafter and will remain on Brinker's website until at least the end of the day February 15, 2023.

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

Forward Calendar

- SEC Form 10-Q for the second quarter of fiscal 2023 filing on or before February 6, 2023
- Earnings release call for the third quarter of fiscal 2023 on May 3, 2023

Non-GAAP Measures

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

About Brinker

Brinker International, Inc. is one of the world's leading casual dining restaurant companies and home of Chili's® Grill & Bar, Maggiano's Little Italy® and two virtual brands: It's Just Wings® and Maggiano's Italian Classics™. Founded in 1975 in Dallas, Texas, we've ventured far from home, but stayed true to our roots. Brinker owns, operates or franchises more than 1,600 restaurants in 29 countries and two U.S. territories. Our passion is making people feel special, and we hope you feel that passion each time you visit one of our restaurants or invite us into your home through takeout or delivery. Learn more about Brinker and its brands at brinker.com.

Forward-Looking Statements

The statements and tables contained in this release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements are made only based on our current plans and expectations as of the date such statements are made, and we undertake no obligation to update forward-looking statements to reflect events or circumstances arising after the date such statements are made. Forward-looking statements are neither predictions nor guarantees of future events or performance and are subject to risks and uncertainties which could cause actual results to differ materially from our historical results or from those projected in forward-looking statements. Such risks and uncertainties include, among other things, the impact of general

economic conditions, including inflation, on economic activity and on our operations; the impact of the COVID-19 pandemic; the crisis in Ukraine and related disruptions on our business including consumer demand, costs, product mix, our strategic initiatives, our partners' supply chains, operations, technology and assets, and our financial performance; the impact of competition; changes in consumer preferences; consumer perception of food safety; reduced consumer discretionary spending; unfavorable publicity; governmental regulations; the Company's ability to meet its business strategy plan; loss of key management personnel; failure to hire and retain high-quality restaurant management and team members; the impact of social media or other unfavorable publicity; reliance on technology and third party delivery providers; failure to protect the security of data of our guests and team members; product availability and supply chain disruptions; regional business and economic conditions; volatility in consumer, commodity, transportation, labor, currency and capital markets; litigation; franchisee success; technology failures; failure to protect our intellectual property; outsourcing; impairment of goodwill or assets; failure to maintain effective internal control over financial reporting; downgrades in credit ratings; changes in estimates regarding our assets; actions of activist shareholders; failure to comply with new environmental, social and governance (ESG) requirements; failure to achieve any goals, targets or objectives with respect to ESG matters; adverse weather conditions; terrorist acts; health epidemics or pandemics (such as COVID-19); tax reform; inadequate insurance coverage and limitations imposed by our credit agreements as well as the risks and uncertainties described in "Risk Factors" in our Annual Report on Form 10-K and future filings with the Securities and Exchange Commission.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2022	December 29, 2021	December 28, 2022	December 29, 2021
Revenues				
Company sales ⁽¹⁾	\$ 1,009.4	\$ 915.8	\$ 1,955.5	\$ 1,781.4
Franchise revenues ⁽¹⁾	9.6	10.0	19.0	20.8
Total revenues	<u>1,019.0</u>	<u>925.8</u>	<u>1,974.5</u>	<u>1,802.2</u>
Operating costs and expenses				
Food and beverage costs	289.4	252.8	578.9	487.1
Restaurant labor	334.6	315.4	665.2	620.3
Restaurant expenses	268.4	236.7	537.2	468.0
Depreciation and amortization	41.8	41.6	83.7	80.9
General and administrative	35.6	33.1	75.1	69.6
Other (gains) and charges ⁽²⁾	8.5	6.4	13.5	10.9
Total operating costs and expenses	<u>978.3</u>	<u>886.0</u>	<u>1,953.6</u>	<u>1,736.8</u>
Operating income	40.7	39.8	20.9	65.4
Interest expenses	13.9	11.2	26.2	23.7
Other income, net	(0.3)	(0.5)	(0.7)	(0.8)
(Loss) Income before income taxes	27.1	29.1	(4.6)	42.5
(Benefit) Provision for income taxes	(0.8)	1.5	(2.3)	1.7
Net (loss) income	<u>\$ 27.9</u>	<u>\$ 27.6</u>	<u>\$ (2.3)</u>	<u>\$ 40.8</u>
Basic net (loss) income per share	<u>\$ 0.63</u>	<u>\$ 0.61</u>	<u>\$ (0.05)</u>	<u>\$ 0.90</u>
Diluted net (loss) income per share	<u>\$ 0.62</u>	<u>\$ 0.60</u>	<u>\$ (0.05)</u>	<u>\$ 0.88</u>
Basic weighted average shares outstanding	<u>44.0</u>	<u>45.1</u>	<u>44.0</u>	<u>45.5</u>
Diluted weighted average shares outstanding	<u>44.8</u>	<u>45.9</u>	<u>44.0</u>	<u>46.4</u>
Other comprehensive income (loss)				
Foreign currency translation adjustments ⁽³⁾	\$ 0.1	\$ (0.1)	\$ (0.9)	\$ (0.5)
Other comprehensive income (loss)	0.1	(0.1)	(0.9)	(0.5)
Comprehensive (loss) income	<u>\$ 28.0</u>	<u>\$ 27.5</u>	<u>\$ (3.2)</u>	<u>\$ 40.3</u>

⁽¹⁾ Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section above for more details.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 28, 2022	December 29, 2021	December 28, 2022	December 29, 2021
Restaurant closure charges	\$ 3.3	\$ 0.3	\$ 4.8	\$ 0.5
Severance and other benefit charges	2.4	—	2.9	—
Loss from natural disasters, net of (insurance recoveries)	1.1	0.2	0.9	0.8
Enterprise system implementation costs	1.0	0.3	2.0	0.9
Remodel-related costs	0.2	1.6	1.0	3.1
Lease contingencies	—	2.9	—	2.9
Other	0.5	1.1	1.9	2.7
	<u>\$ 8.5</u>	<u>\$ 6.4</u>	<u>\$ 13.5</u>	<u>\$ 10.9</u>

(3) Represents the unrealized impact of translating the financial statements of our Canadian restaurants from Canadian dollars to U.S. dollars. This amount is not included in Net (loss) income and would only be realized upon disposition of these restaurants.

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

	December 28, 2022	June 29, 2022
ASSETS		
Total current assets	\$ 237.2	\$ 201.2
Net property and equipment	826.9	816.7
Operating lease assets	1,142.9	1,160.5
Deferred income taxes, net	72.6	62.5
Other assets	240.0	243.5
Total assets	<u>\$ 2,519.6</u>	<u>\$ 2,484.4</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Total current liabilities	\$ 573.5	\$ 558.0
Long-term debt and finance leases, less current installments	1,023.3	989.1
Long-term operating lease liabilities, less current portion	1,133.1	1,151.1
Other liabilities	57.2	54.3
Total shareholders' deficit	<u>(267.5)</u>	<u>(268.1)</u>
Total liabilities and shareholders' deficit	<u>\$ 2,519.6</u>	<u>\$ 2,484.4</u>

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

	Twenty-Six Week Periods Ended	
	December 28, 2022	December 29, 2021
Cash flows from operating activities		
Net (loss) income	\$ (2.3)	\$ 40.8
Adjustments to reconcile Net (loss) income to Net cash provided by operating activities:		
Depreciation and amortization	83.7	80.9
Stock-based compensation	5.9	9.9
Restructure and impairment charges	7.2	5.4
Net loss on disposal of assets	2.1	1.6
Other	0.9	2.1
Changes in assets and liabilities	(29.5)	(33.3)
Net cash provided by operating activities	<u>68.0</u>	<u>107.4</u>
Cash flows from investing activities		
Payments for property and equipment	(95.3)	(74.1)
Proceeds from note receivable	2.1	—
Payments for franchise restaurant acquisitions	—	(104.5)
Proceeds from sale leaseback transactions, net of related expenses	—	20.5
Net cash used in investing activities	<u>(93.2)</u>	<u>(158.1)</u>
Cash flows from financing activities		
Borrowings on revolving credit facility	280.0	487.5
Payments on revolving credit facility	(240.0)	(355.0)
Payments on long-term debt	(11.3)	(11.7)
Purchases of treasury stock	(2.1)	(74.7)
Payments of dividends	(0.2)	(1.0)
Proceeds from issuance of treasury stock	0.0	0.4
Payments for debt issuance costs	—	(3.1)
Net cash provided by financing activities	<u>26.4</u>	<u>42.4</u>
Net change in cash and cash equivalents	1.2	(8.3)
Cash and cash equivalents at beginning of period	13.5	23.9
Cash and cash equivalents at end of period	<u>\$ 14.7</u>	<u>\$ 15.6</u>

BRINKER INTERNATIONAL, INC.
Restaurant Summary

	Total Restaurants Open at December 28, 2022	Total Restaurants Open at December 29, 2021	Fiscal 2023 New Openings ⁽¹⁾		
			Second Quarter Openings	Fiscal Year Openings	Full Year Projected Openings
Company-owned restaurants					
Chili's domestic	1,126	1,125	4	4	14
Chili's international	5	5	—	—	—
Maggiano's domestic	51	52	—	—	—
Total Company-owned	1,182	1,182	4	4	14
Franchise restaurants					
Chili's domestic	101	109	—	1	1
Chili's international	363	360	6	8	16-20
Maggiano's domestic	2	2	—	—	—
Total franchise	466	471	6	9	17-21
Total Company-owned and franchise					
Chili's domestic	1,227	1,234	4	5	15
Chili's international	368	365	6	8	16-20
Maggiano's domestic	53	54	—	—	—
Total	1,648	1,653	10	13	31-35

⁽¹⁾ Chili's domestic company-owned restaurants openings count excludes one relocation during the second quarter of fiscal 2023.

NON-GAAP INFORMATION AND RECONCILIATIONS

Comparable Restaurant Sales

Q2 23 and Q2 22

	Comparable Restaurant Sales ⁽¹⁾		Price Impact		Mix-Shift ⁽²⁾		Traffic	
	Q2:23 vs 22	Q2:22 vs 21	Q2:23 vs 22	Q2:22 vs 21	Q2:23 vs 22	Q2:22 vs 21	Q2:23 vs 22	Q2:22 vs 21
Company-owned	9.7 %	17.7 %	9.7 %	2.1 %	5.5 %	6.8 %	(5.5)%	8.8 %
Chili's	8.0 %	12.1 %	10.0 %	2.4 %	5.6 %	3.4 %	(7.6)%	6.3 %
Maggiano's	21.2 %	78.1 %	7.7 %	(0.1)%	5.1 %	24.9 %	8.4 %	53.3 %
Franchise ⁽³⁾	6.2 %	17.0 %						
U.S.	4.1 %	4.8 %						
International	7.3 %	27.7 %						
Chili's domestic ⁽⁴⁾	7.5 %	11.5 %						
System-wide ⁽⁵⁾	9.1 %	17.6 %						

⁽¹⁾ Comparable Restaurant Sales include all restaurants that have been in operation for more than 18 months. Restaurants temporarily closed 14 days or more are excluded from Comparable Restaurant Sales. Percentage amounts are calculated based on the comparable periods year-over-year.

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

⁽³⁾ Chili's and Maggiano's franchise sales generated by franchisees are not included in Total revenues in the Consolidated Statements of Comprehensive Income (Unaudited); however, we generate royalty revenues and advertising fees based on franchisee revenues, where applicable. We believe presenting Franchise Comparable Restaurant Sales provides investors relevant information regarding total brand performance.

- (4) Chili's domestic Comparable Restaurant Sales percentages are derived from sales generated by Company-owned and franchise-operated Chili's restaurants in the United States.
- (5) System-wide Comparable Restaurant Sales are derived from sales generated by Chili's and Maggiano's Company-owned and franchise-operated restaurants.

Reconciliation of Net Income Excluding Special Items (in millions, except per share amounts)

Brinker believes excluding special items from its financial results provides investors with a clearer perspective of the Company's ongoing operating performance and a more relevant comparison to prior period results.

	Second Quarter			
	Q2 23	EPS Q2 23	Q2 22	EPS Q2 22
Net income - GAAP	\$ 27.9	\$ 0.62	\$ 27.6	\$ 0.60
Special items - Other (gains) and charges ⁽¹⁾	8.5	0.19	6.4	0.14
Special items - Depreciation	0.1	—	0.2	—
Income tax effect related to special items ⁽²⁾	(2.1)	(0.04)	(1.7)	(0.03)
Special items, net of taxes	6.5	0.15	4.9	0.11
Adjustment for special tax items	(0.3)	(0.01)	(0.2)	—
Net income, excluding special items - Non-GAAP	\$ 34.1	\$ 0.76	\$ 32.3	\$ 0.71

- (1) See Footnote "(2)" to the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) for additional details on the composition of Other (gains) and charges.
- (2) Income tax effect related to special items is based on the statutory tax rate in effect at the end of each period presented.

Reconciliation of Restaurant Operating Margin (in millions, except percentages)

	Chili's		Maggiano's		Brinker	
	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
Operating income - GAAP	\$ 48.4	\$ 56.0	\$ 23.0	\$ 15.0	\$ 40.7	\$ 39.8
Operating income as a percentage of Total revenues	5.5 %	6.9 %	16.4 %	12.8 %	4.0 %	4.3 %
Operating income - GAAP	\$ 48.4	\$ 56.0	\$ 23.0	\$ 15.0	\$ 40.7	\$ 39.8
Less: Franchise revenues ⁽¹⁾	(9.4)	(9.8)	(0.2)	(0.2)	(9.6)	(10.0)
Plus: Depreciation and amortization	36.0	35.4	3.3	3.4	41.8	41.6
General and administrative	8.5	7.2	1.5	1.9	35.6	33.1
Other (gains) and charges	5.7	2.2	0.3	—	8.5	6.4
Restaurant operating margin - non-GAAP ⁽¹⁾	\$ 89.2	\$ 91.0	\$ 27.9	\$ 20.1	\$ 117.0	\$ 110.9
Restaurant operating margin as a percentage of Company sales ⁽¹⁾	10.3 %	11.4 %	19.9 %	17.1 %	11.6 %	12.1 %

- (1) Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section above for more details.

Restaurant operating margin is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative to operating income as an indicator of financial performance. Restaurant operating margin is widely regarded in the restaurant industry as a useful metric by which to evaluate restaurant-level operating efficiency and performance of ongoing restaurant-level operations. This non-GAAP measure is not indicative of overall Company performance and profitability because this measure does not directly accrue benefit to the shareholders due to the nature of costs excluded.

We define Restaurant operating margin as Company sales less Food and beverage costs, Restaurant labor and Restaurant expenses. We believe this metric provides a more useful comparison between periods and enables investors to focus on the performance of restaurant-level operations by excluding revenues not related to food and beverage sales at Company-owned restaurants, corporate General and administrative expenses, Depreciation and amortization, and Other (gains) and charges. Restaurant operating margin as presented may not be comparable to other similarly titled measures of other companies in our industry.

Reconciliation of Adjusted EBITDA (in millions)

Brinker believes presenting Adjusted EBITDA provides a useful measure of our operating performance, excluding the impacts of financing costs, capital expenditures and special items. Adjusted EBITDA is not a measurement determined in accordance with GAAP and should not be considered in isolation. We define Adjusted EBITDA as Operating income before Depreciation and amortization and Other (gains) and charges.

	Second Quarter	
	Q2 23	Q2 22
Operating income - GAAP	\$ 40.7	\$ 39.8
Depreciation and amortization	41.8	41.6
Other (gains) and charges	8.5	6.4
Adjusted EBITDA, non-GAAP	<u>\$ 91.0</u>	<u>\$ 87.8</u>

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