FORM 10Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 28, 1994

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

(214) 980-9917
(Registrant's telephone number, including area code)

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

Yes X No

Number of shares of common stock of registrant outstanding at December 28, 1994: 71,832,036.

BRINKER INTERNATIONAL, INC.

INDEX

BRINKER INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	DECEMBER 28, 1994	JUNE 29, 1994
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,109	$ 3,743
Accounts Receivable	17,977	12,651
Assets Held for Sale and Leaseback	38	---
Inventories	9,365	8,213
Prepaid Expenses	19,664	17,601
Deferred Income Taxes	3,899	4,655
Total Current Assets	52,052	46,863
Property and Equipment, at Cost:		
Land	$ 116,203	$ 106,040
Buildings and Leasehold Improvements	321,605	286,437
Furniture and Equipment	197,535	172,403
Construction-in-Progress	36,012	31,300
	671,355	596,180
Less Accumulated Depreciation	183,654	161,946
Net Property and Equipment	487,701	434,234
Other Assets:		
Preopening Costs	$ 8,365	$ 7,927
Marketable Securities	28,421	45,239
Notes Receivable	1,022	2,231
Other	26,594	21,941
Total Other Assets	64,402	77,338
Total Assets	$ 604,155	$ 558,435

See Accompanying Notes to Condensed Consolidated Financial Statements

BRINKER INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value amounts)
(Unaudited)

	DECEMBER 28, 1994	JUNE 29, 1994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term Debt	$ 12,050	$ ---
Current Installments of Long-term Debt	309	501
Accounts Payable	41,641	45,340
Accrued Liabilities	58,285	55,901
Total Current Liabilities	112,285	101,742
Long-term Debt, Less Current Installments	3,264	4,404
Senior Subordinated Convertible Debentures	1,200	1,200
Deferred Income Taxes	12,667	12,143
Other Liabilities	19,726	21,569
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Stock-1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	---	---
Common Stock-250,000,000 Authorized Shares; $.10 Par Value; 71,832,036 and 71,405,452 Shares Issued and Outstanding at December 28, 1994 and June 29, 1994, Respectively	7,183	7,141
Additional Paid-In Capital	188,152	183,299
Unrealized Loss on Marketable Securities	(2,321)	(441)
Retained Earnings	261,999	227,378
Total Shareholders' Equity	455,013	417,377
Total Liabilities and Shareholders' Equity	$ 604,155	$ 558,435

See Accompanying Notes to Condensed Consolidated Financial Statements

BRINKER INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	13 Week Periods Ended		26 Week Periods Ended	
	Dec. 28, 1994	Dec. 29, 1993	Dec. 28, 1994	Dec. 29, 1993
Revenues	$ 246,607	$ 214,081	$ 493,679	$ 421,334
Costs and Expenses:				
Cost of Sales	67,097	58,835	133,373	116,233
Restaurant Expenses	128,475	109,767	255,322	215,478
Depreciation and Amortization	14,163	12,912	27,949	24,443
General & Administrative	12,636	11,688	24,860	22,585
Interest Expense	---	127	---	243
Merger Expenses	---	234	---	234
Lawsuit Settlement	---	2,248	---	2,248
Other, Net	(492)	(2,055)	(1,309)	(3,471)
Total Costs and Expenses	221,879	193,756	440,195	377,993
Income Before Provision for Income Taxes	24,728	20,325	53,484	43,341
Provision for Income Taxes	8,655	7,136	18,863	15,235
Net Income	$ 16,073	$ 13,189	$ 34,621	$ 28,106
Primary Net Income Per Share	$ 0.22	$ 0.18	$ 0.46	$ 0.38
Fully Diluted Net Income Per Share	$ 0.22	$ 0.18	$ 0.46	$ 0.37
Primary Weighted Average Shares Outstanding	74,391	75,057	74,584	74,787
Fully Diluted Weighted Average Shares Outstanding	74,391	75,213	74,653	75,059

See Accompanying Notes to Condensed Consolidated Financial Statements

BRINKER INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Twenty-Six Week Periods Ended	
	December 28, 1994	December 29, 1993
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	$ 34,621	$ 28,106
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation of Property and Equipment	23,041	20,107
Amortization of Preopening Costs	4,908	4,336
Gain on Sale of Land	---	(1,000)
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(5,326)	(5,941)
Increase in Inventories	(1,152)	(1,031)
Increase in Prepaid Expenses	(2,063)	(1,298)
Increase in Other Assets	(8,790)	(9,564)

(Decrease) Increase in Accounts Payable	(3,699)	11,871
Increase in Accrued Liabilities	2,384	7,894
Increase in Deferred Income Taxes	2,547	1,385
(Decrease) Increase in Other Liabilities	(1,843)	1,328
Net Cash Provided by Operating Activities	44,628	56,193
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(76,508)	(58,679)
Proceeds from Sale of Land	---	4,180
Payment for Purchase of Franchisee Restaurants	---	(8,165)
(Increase) Decrease in Assets Held for Sale and Leaseback	(38)	1,106
Purchases of Marketable Securities	(4,923)	(29,192)
Proceeds from Sales of Marketable Securities	18,594	25,810
Net Cash Used in Investing Activities	(62,875)	(69,940)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of Short-term Debt	12,050	2,850
(Payments) Borrowings of Long-term Debt	(1,332)	138
Proceeds from Issuances of Common Stock	4,895	720
Net Cash Provided by Financing Activities	15,613	3,708
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,634)	(5,039)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,743	12,477
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,109	$ 7,438
CASH PAID DURING THE PERIOD:		
Interest, Net of Amounts Capitalized	$ ---	$ 243
Income Taxes	$ 21,107	$ 15,461

See Accompanying Notes to Condensed Consolidated Financial Statements

BRINKER INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements of Brinker International, Inc. ("Company") as of December 28, 1994 and June 29, 1994 and for the thirteen week periods and twenty-six week periods ended December 28, 1994 and December 29, 1993 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company owns and operates five primary restaurant concepts under the names of Chili's Grill & Bar ("Chili's"), Grady's American Grill ("Grady's"), Romano's Macaroni Grill ("Macaroni Grill"), Spageddies Italian Kitchen ("Spageddies"), and On The Border Cafes ("On The Border").

The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The notes to the condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the June 29, 1994 Form 10-K. Company management believes that the disclosures are sufficient for interim financial reporting purposes.

2. Net Income Per Share

Both primary and fully diluted net income per share are based on the weighted average number of shares outstanding during the period increased by common equivalent shares (stock options) determined using the treasury stock method.

3. Business Combination

Effective August 3, 1994, the Company acquired four Chili's restaurants located in Florida and Georgia from a franchisee in exchange for 505,930 shares of Company common stock. The acquisition of one of the restaurants was accounted for as a purchase. The acquisition of the remaining three restaurants was accounted for as a pooling of interests. Accordingly, the Company's consolidated financial statements have been restated to include the accounts and operations of the three acquired restaurants for all periods presented.

4. Shareholders' Equity

On November 3, 1994, the shareholders of the Company approved an amendment to the Company's Certificate of Incorporation which increased the number of authorized shares of common stock from 100,000,000 to 250,000,000.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
For The Thirteen Week Periods and Twenty-Six Week Periods Ended
December 28, 1994 and December 29, 1993

The following table sets forth expenses as a percentage of total revenues for revenue and expense items included in the Condensed Consolidated Statements of Income.

	13 Week Periods Ended		26 Week Periods Ended	
	Dec. 28, 1994	Dec. 29, 1993	Dec. 28, 1994	Dec. 29, 1993
Revenues	100.0%	100.0%	100.0%	100.0%
Costs and Expenses:				
Cost of Sales	27.2%	27.5%	27.0%	27.6%
Restaurant Expenses	52.1%	51.3%	51.7%	51.1%
Depreciation and Amortization	5.7%	6.0%	5.7%	5.8%
General & Administrative	5.1%	5.5%	5.0%	5.4%
Interest Expense	---%	0.0%	---	0.0%
Merger Expenses	---%	0.0%	---	0.0%
Lawsuit Settlement	---%	1.1%	---	0.5%
Other, Net	(0.1)%	(0.9)%	(0.2)%	(0.7)%
Total Costs & Expenses	90.0%	90.5%	89.2%	89.7%
Income Before Provision for Income Taxes	10.0%	9.5%	10.8%	10.3%
Provision for Income Taxes	3.5%	3.3%	3.8%	3.6%
Net Income	6.5%	6.2%	7.0%	6.7%

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

	2nd Quarter Openings		Year-to-Date Openings		Total Open at End of Second Quarter	
	Fiscal 1995	Fiscal 1994	Fiscal 1995	Fiscal 1994	Fiscal 1995	Fiscal 1994
Chili's:						
Company-owned	6	10	22	26	302	271
Franchised	9	5	17	6	95	72
Total	15	15	39	32	397	343
Macaroni Grill:						
Company-owned	7	2	11	6	45	28
Franchised	--	--	--	--	1	--
Total	7	2	11	6	46	28
Grady's	5	1	6	5	39	29
Spageddies:						
Company-owned	3	--	3	1	9	4
Franchised	1	--	1	--	1	--
Total	4	--	4	1	10	4
On The Border:						
Company-owned	1	3	1	3	15	14
Franchised	--	--	--	2	6	7
Total	1	3	1	5	21	21
R&D Concepts:						
Company-owned	--	--	--	--	1	1
Joint Venture	--	--	--	--	1	--
Total	--	--	--	--	2	1
Grand Total	32	21	61	49	515	426

REVENUES

Revenues for the second quarter of fiscal 1995 increased to $246.6 million, 15.2% over the $214.1 million generated for the same quarter of fiscal 1994. Revenues for the twenty-six week period ended December 28, 1994 rose 17.2% to $493.7 million from $421.3 million generated from the same period of fiscal 1994. The increase is primarily attributable to the 66 Company-operated restaurants opened or acquired since December 29, 1993. Reported comparable store sales for the second quarter and year-to-date of fiscal 1995 changed (0.4%) and 0.2%, respectively, compared to the respective prior year periods. On a concept basis, Chili's, Macaroni Grill, and Grady's experienced comparable store sales changes of (0.9)%, 2.2%, and 0.3%, respectively, for the second quarter of fiscal 1995, and 0.1%, 2.1%, and (1.1)%, respectively, on a year-to-date basis.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased for both the second quarter and year-to-date of fiscal 1995. Due to increased purchasing leverage, favorable commodity prices were experienced in meat, poultry, and dairy. Other favorable factors include the impact from meat waste control systems and menu reformulation, such as the addition of the Guiltless Grill menu items at Chili's. These positive variances were somewhat offset by unfavorable prices for lettuce and tomatoes in the second quarter and non-alcoholic beverages and seafood on a year-to-date basis.

Restaurant expenses increased on both a comparative second quarter and year-to-date basis. The increase is primarily the result of increased management costs due to staffing and training costs associated with future expansion. At the restaurant level, hourly costs increased slightly due to an increase in wage rates in certain regions, particularly Florida, and an increase in restaurant supplies, primarily resulting from new menu items. In addition, home delivery costs increased as a result of the program's expansion. These cost increases were partially offset by decreases in rent expense resulting from an increase in the percentage of owned restaurants versus leased.

Depreciation and amortization decreased for both the second quarter and year-to-date of fiscal 1995. A decrease in per-unit depreciation and amortization due to a declining depreciable asset base for older units and higher average sales volumes in newer restaurants offset increases related to rising construction costs, remodel costs, and capital expenditures at the corporate level, such as investments in new computer hardware and software.

General and administrative expenses declined in the second quarter and year-to-date of fiscal 1995 compared to the respective fiscal 1994 periods due to the Company's ongoing focus on controlling corporate overhead and efficiencies realized from increased investments in computer hardware and software. The dollar increase in general and administrative expenses is due to additional staff and support as the Company accelerates expansion of its restaurant concepts, including international franchising.

Merger expenses and lawsuit settlement recognized in the second quarter of fiscal 1994 are nonrecurring costs associated with On The Border. Merger expenses are consulting and legal fees incurred in the initial phases of negotiating On The Border's acquisition. Lawsuit settlement is an injury claim settlement arising from an airplane accident in March 1993 involving several former On The Border officers.

Other, net, decreased compared to the first quarter and year-to-date of fiscal 1994. The decrease is primarily the result of a gain of approximately $1 million generated from the sale of land in the second quarter of fiscal 1994, a decrease in net realized gains on sales of marketable securities due to significant gains recognized in the first quarter of fiscal 1994, and a decrease in interest and dividend income compared to fiscal 1994 as a result of a decrease in the investment portfolio balance.

INCOME BEFORE PROVISION FOR INCOME TAXES

As a result of the relationships between revenues and costs and expenses, income before provision for income taxes increased 21.7% and 23.4%, respectively, over the second quarter and year-to-date results of fiscal 1994.

INCOME TAXES

The Company's effective income tax rate was 35.0% and 35.3% for the second quarter and year-to-date of fiscal 1995, respectively, compared to 35.1% and 35.2% for the same periods of fiscal 1994. The Company's effective income tax rate on a year-to-date basis is consistent with the prior year. The fiscal 1995 second quarter effective income tax rate, however, was adjusted downward from the first quarter as a result of more accurate year-end estimates of state income tax liabilities and Federal FICA tax credits.

NET INCOME AND NET INCOME PER SHARE

Net income and primary net income per share rose 21.9% and 22.2%, respectively, compared to the second quarter of fiscal 1994. Year-to-date net income and primary net income per share increased 23.2% and 21.1%, respectively, compared to fiscal 1994. The increases exceed the increases in revenues as the Company continues to control costs and expenses while maintaining the expansion of its restaurant concepts. Primary weighted average shares outstanding for the second quarter and year-to-date changed (0.9)% and 0.3%, respectively, compared to the respective prior year periods. Although the number of outstanding shares has increased as a result of common stock options exercised, dilutive common stock equivalents were down in the second quarter of fiscal 1995 as a result of a decline in the Company's stock price.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $54.9 million at June 29, 1994 to $60.2 million at December 28, 1994, due primarily to the Company's capital expenditures as discussed below. Net cash provided by operating activities decreased to $44.6 million for the first half of the year from $56.2 million during the same period in fiscal 1994 due to timing of operational receipts and payments, which offset cash generated from the increased number of restaurants in operation, strong operating results from existing units, and the effective containment of costs.

Long-term debt outstanding at December 28, 1994 consisted of obligations under capital leases. At December 28, 1994, the Company had drawn $12.1 million from its lines of credit to fund short-term operational needs, leaving $37.9 million in available funds from lines of credit.

Capital expenditures were $76.5 million for the six months ended December 28, 1994 as compared to $66.8 million last fiscal year. Purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and the ongoing remodeling program were responsible for the increased expenditures. The Company estimates that its capital expenditures during the third quarter will approximate $53 million. These capital expenditures will be funded from internal operations, income earned from investments, build-to-suit lease agreements with landlords, and drawdowns on the Company's available lines of credit.

The Clinton administration is likely to continue to analyze and propose new legislation which could adversely impact the entire business community. Mandated health care and minimum wage measures, if passed, could increase the Company's operating costs. The Company would attempt to offset increased costs through additional improvements in operating efficiencies and menu price increases.

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

PART II. OTHER INFORMATION

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

The Company's Proxy Statement dated September 29, 1994 for the Annual Meeting of Stockholders held on November 3, 1994, as filed with the Securities and Exchange Commission on September 29, 1994, is incorporated herein by reference.

a. The Annual Meeting of Stockholders of the Company was held on November 3, 1994.

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

Number of affirmative votes cast	Number of withold auhority votes cast
55,881,452	5,943,380

c. The following matters were also voted upon at the meeting and approved by the stockholders:

(i) approval of an amendment to the Certificate of Incorporation of the Company to increase the number of shares of Common Stock the Company is authorized to issue from 100,000,000 to 250,000,000

Number of affirmative votes cast	Number of negative votes cast
47,927,822	13,723,221

Number of abstain votes cast
173,789

(ii) approval of an amendment to the Company's 1992 Incentive Stock Option Plan

Number of affirmative votes cast	Number of negative votes cast
49,900,279	11,693,303

Number of abstain votes cast
231,250

(iii) approval of an amendment to the Company's 1991 Stock Option Plan for Non-Employee Directors and Consultants

Number of affirmative votes cast	Number of negative votes cast
55,994,152	5,596,214

Number of abstain votes cast
234,466

(iv) approval of the Company's Profit Sharing Plan

Number of affirmative votes cast	Number of negative votes cast
56,131,278	5,405,313

Number of abstain votes cast
288,241

(v) approval of the Company's Long-Term Executive Profit Sharing Plan

Number of affirmative votes cast	Number of negative votes cast
55,661,721	5,829,396

Number of abstain votes cast
333,715

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: February 8, 1995 By: /Ronald A. McDougall
Ronald A. McDougall, President and Chief
Operating Officer
(Duly Authorized Signatory)

Date: February 8, 1995 By: /Debra L. Smithart
Debra L. Smithart, Executive Vice President
and Chief Financial Officer
(Principal Financial and Accounting Officer)