FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

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

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 25, 1996

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X No
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Number of shares of common stock of registrant outstanding at December 25, 1996: 77,631,991

BRINKER INTERNATIONAL, INC.

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

ASSETS	December 25, 1996	June 26, 1996
Current Assets:		
Cash and Cash Equivalents	$ 19,620	$ 27,073
Accounts Receivable, Net	19,521	14,142
Inventories	11,603	10,839
Prepaid Expenses	27,536	24,648
Deferred Income Taxes	11,088	11,653
Total Current Assets	89,368	88,355
Property and Equipment, at Cost:		
Land	162,351	150,391
Buildings and Leasehold Improvements	481,421	430,037
Furniture and Equipment	266,413	240,880
Construction-in-Progress	55,367	31,923
	965,552	853,231
Less Accumulated Depreciation and Amortization	268,684	242,001
Net Property and Equipment	696,868	611,230
Other Assets:		
Marketable Securities	64,349	70,012
Goodwill	79,559	73,250
Other	50,295	45,987
Total Other Assets	194,203	189,249
Total Assets	$980,439	$888,834

(continued)

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

	December 25, 1996	June 26, 1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term Debt	$ 67,000	$ 15,000
Current Installments of Long-term Debt	329	348
Accounts Payable	68,507	58,902
Accrued Liabilities	67,619	64,140
Total Current Liabilities	203,455	138,390
Long-term Debt, Less Current Installments	102,646	102,801
Deferred Income Taxes	14,569	12,900
Other Liabilities	20,508	26,573
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 77,631,991 and 77,255,783 Shares Issued and Outstanding at December 25, 1996 and June 26, 1996, Respectively	7,763	7,726
Additional Paid-In Capital	268,953	266,561
Unrealized Gain (Loss) on Marketable Securities	17	(620)
Retained Earnings	362,528	334,503
Total Shareholders' Equity	639,261	608,170
Total Liabilities and Shareholders' Equity	$980,439	$888,834

See accompanying notes to condensed consolidated financial statements

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

	13 Weeks Ended		26 Weeks Ended	
	Dec. 25, 1996	Dec. 27, 1995	Dec. 25, 1996	Dec. 27, 1995
Revenues	$ 310,925	$ 289,656	$ 619,590	$ 579,116
Costs and Expenses:				
Cost of Sales	88,898	83,675	176,363	167,333
Restaurant Expenses	169,906	156,109	332,428	309,014
Depreciation and Amortization	18,716	16,201	36,450	32,273
General and Administrative	15,975	13,578	31,517	26,575
Interest Expense	1,669	892	3,205	1,659
Gain on Sales of Concepts	-	(9,262)	-	(9,262)
Restructuring Charge	-	50,000	-	50,000
Other, Net	(1,750)	(687)	(2,515)	(1,593)
Total Costs and Expenses	293,414	310,506	577,448	575,999
Income (Loss) Before Provision (Benefit) for Income Taxes	17,511	(20,850)	42,142	3,117
Provision (Benefit) for Income Taxes	5,866	(7,297)	14,117	1,091
Net Income (Loss)	$ 11,645	$ (13,553)	$ 28,025	$ 2,026
Primary and Fully Diluted Net Income (Loss) Per Share	$ 0.15	$ (0.18)	$ 0.35	$ 0.03
Primary Weighted Average Shares Outstanding	79,636	76,626	79,343	76,932
Fully Diluted Weighted Average Shares Outstanding	79,636	76,626	79,396	76,987

See accompanying notes to condensed consolidated financial statements

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

	Twenty-Six Weeks Ended December 25, 1996	Twenty-Six Weeks Ended December 27, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 28,025	$ 2,026
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization of Property and Equipment	29,801	27,417
Amortization of Goodwill and Other Assets	6,649	4,856
Gain on Sales of Concepts	-	(9,262)
Restructuring Charge	-	50,000
Changes in Assets and Liabilities, Excluding Effects of Acquisitions and Dispositions:		
(Increase) Decrease in Accounts Receivable	(5,576)	4,432
Increase in Inventories	(516)	(1,325)
Increase in Prepaid Expenses	(2,804)	(2,988)
Increase in Other Assets	(10,185)	(8,000)
Increase (Decrease) in Accounts Payable	9,605	(10,462)
Increase (Decrease) in Accrued Liabilities	2,798	(7,559)
Increase in Deferred Income Taxes	1,907	48
Decrease in Other Liabilities	(6,242)	(281)
Other	(181)	597
Net Cash Provided by Operating Activities	53,281	49,499
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(104,863)	(100,339)
Payments for Purchase of Restaurants	(15,863)	-
Purchases of Marketable Securities	(18,489)	(13,923)
Proceeds from Sales of Marketable Securities	24,226	15,479
Proceeds from Sales of Concepts	-	73,115
Other	-	375
Net Cash Used in Investing Activities	(114,989)	(25,293)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of Short-term Debt	52,000	-
Payments of Long-term Debt	(174)	(1,502)
Proceeds from Issuances of Common Stock	2,429	1,095
Net Cash Provided (Used) by Financing Activities	54,255	(407)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,453)	23,799
Cash and Cash Equivalents at Beginning of Period	27,073	44,911
Cash and Cash Equivalents at End of Period	$ 19,620	$ 68,710
CASH PAID DURING THE PERIOD:		
Income Taxes	$ 14,055	$ 15,003
Interest, Net of Amounts Capitalized	$ 3,035	$ 1,594
NON-CASH TRANSACTIONS DURING THE PERIOD:		
Common Stock Issued in Connection with Acquisitions	$ -	$ 66,362
Notes Received in Connection with Sales of Concepts	$ -	$ 9,800

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 25, 1996 and June 26, 1996 and for the thirteen weeks and twenty-six weeks ended December 25, 1996 and December 27, 1995 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The Company owns or franchises over 650 restaurants under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Cafes ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery ("Corner Bakery"), and Eatzi's Market & Bakery ("Eatzi's").

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

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

2. NET INCOME (LOSS) PER SHARE

Both primary and fully diluted net income (loss) per share are based on the weighted average number of shares outstanding during the period increased by common equivalent shares (stock options) determined using the treasury stock method. Primary weighted average equivalent shares are determined based on the average market price exceeding the exercise price of the stock options. Fully diluted weighted average equivalent shares are determined based on the higher of the average or ending market price exceeding the exercise price of the stock options. Common equivalent shares for the second quarter of fiscal 1996 are excluded from the net loss per share computation because they were anti-dilutive.

3. SUBSEQUENT EVENT

On January 23, 1997, the Board of Directors approved a plan to repurchase up to $150 million of the Company's common stock. Repurchases will be made from time to time in open market transactions. All repurchases will be made in accordance with applicable securities regulations, and the timing of the repurchases will be dependent upon market conditions, share price, and other factors. The repurchased common stock may be used by the Company to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, or for other corporate purposes.

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

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

	13 Weeks Ended		26 Weeks Ended	
	Dec. 25, 1996	Dec. 27, 1995	Dec. 25, 1996	Dec. 27, 1995
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Costs and Expenses:				
Cost of Sales	28.6 %	28.9 %	28.4 %	28.9 %
Restaurant Expenses	54.7 %	53.9 %	53.7 %	53.4 %
Depreciation and Amortization	6.0 %	5.6 %	5.9 %	5.6 %
General and Administrative	5.1 %	4.7 %	5.1 %	4.6 %
Interest Expense	0.5 %	0.3 %	0.5 %	0.3 %
Gain on Sales of Concepts	- %	(3.2)%	- %	(1.6)%
Restructuring Charge	- %	17.2 %	- %	8.6 %
Other, Net	(0.5)%	(0.2)%	(0.4)%	(0.3)%
Total Costs and Expenses	94.4 %	107.2 %	93.2 %	99.5 %
Income (Loss) Before Provision (Benefit) for Income Taxes	5.6 %	(7.2)%	6.8 %	0.5 %
Provision (Benefit) for Income Taxes	1.9 %	(2.5)%	2.3 %	0.2 %
Net Income (Loss)	3.7 %	(4.7)%	4.5 %	0.3 %

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

	2nd Quarter Openings		Year-to-Date Openings		Total Open at End of Second Quarter	
	Fiscal 1997	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997	Fiscal 1996
Chili's:						
Company-owned	9	11	19	25	383	339
Franchised	6	7	12	15	135	123
Total	15	18	31	40	518	462
Macaroni Grill:						
Company-owned	7	7	13	11	82	61
Franchised	--	1	--	1	2	2
Total	7	8	13	12	84	63
On The Border:						
Company-owned	1	2	3	4	26	19
Franchised	1	--	2	--	4	4
Total	2	2	5	4	30	23
Cozymel's	1	2	1	3	12	6
Maggiano's	--	--	1	--	4	3
Corner Bakery	1	1	3	2	11	6
Eatzi's	--	--	--	--	1	--
Concepts sold	--	3	--	12	--	8

Grand total	26	34	54	73	660	571
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REVENUES

Revenues for the second quarter of fiscal 1997 increased to $310.9 million, 7.3% over the $289.7 million generated for the same quarter of fiscal 1996. Revenues for the twenty-six weeks ended December 25, 1996 rose 7.0% to $619.6 million from the $579.1 million generated for the same period of fiscal 1996. The increase is primarily attributable to the 76 Company-operated restaurants opened or acquired since December 27, 1995. The Company increased its capacity (as measured in sales weeks) for the second quarter and year-to-date of fiscal 1997 by 7.1% and 5.5%, respectively, compared to the respective prior year periods. Average weekly sales increased 0.2% and 1.3% for the second quarter and year-to-date, respectively, from the same periods of fiscal 1996.

COSTS AND EXPENSES (AS A PERCENT OF REVENUES)

Cost of sales decreased for the second quarter and year-to-date of fiscal 1997 as compared to the respective periods for fiscal 1996. Favorable commodity prices for seafood and other food items (e.g., shortening, rice, and ketchup) as well as menu price increases contributed to the decrease. Cost of sales continued to increase in the second quarter as compared to the first quarter of fiscal 1997 due to unfavorable commodity prices for dairy, poultry, produce, and meat.

Restaurant expenses increased on both a comparative second quarter and year-to-date basis, primarily as a result of increases in management and hourly labor. The increase in management labor is due to increases in base pay to remain competitive in the industry. At the restaurant level, hourly labor costs are up due to increases in the minimum wage as well as wage rate increases for non-minimum wage employees in order to meet industry competition and retain quality employees. In addition, hourly labor costs increased as a result of training costs associated with the second quarter roll-out of new products and new inventory management programs. Partially offsetting the labor increases were reduced insurance costs resulting from an aggressive safety program and claims management strategies put in place by the Company over the last 18 to 24 months.

Depreciation and amortization increased for both the second quarter and year-to-date of fiscal 1997. Depreciation and amortization increases related to fiscal 1996 acquisitions, new unit construction costs, and ongoing remodel costs were partially offset by a declining depreciable asset base for older units.

General and administrative expenses increased in the second quarter and year-to-date of fiscal 1997 compared to the respective fiscal 1996 periods. Incremental costs in the second quarter and year-to-date are primarily attributable to additional staff and support as the Company continues the expansion of its restaurant concepts. Additionally, year-to-date expenses increased due to the accrual of profit sharing.

Interest expense increased in the second quarter and year-to-date of fiscal 1997 compared to the respective fiscal 1996 periods due to incremental borrowings on the Company's credit facilities combined with a decline in the construction-in-progress balances subject to interest capitalization.

Other, net, increased slightly for both the second quarter and year-to-date of fiscal 1997 primarily due to gains on sales of land in the second quarter.

INCOME TAXES

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

NET INCOME AND NET INCOME PER SHARE

Operating results before restructuring related items (gain on sales of concepts and restructuring charge in fiscal 1996) for the second quarter and year-to-date are summarized as follows (in millions, except per share amounts):

	13 Weeks Ended		26 Weeks Ended	
	Dec. 25, 1996	Dec. 27, 1995	Dec. 25, 1996	Dec. 27, 1995
Income Before Restructuring Related Items and Income Taxes	$ 17.5	$ 19.9	$ 42.1	$ 43.8
Income Taxes Before Restructuring Related Items	5.9	7.0	14.1	15.3
Net Income Before Restructuring Related Items	$ 11.6	$ 12.9	$ 28.0	$ 28.5
Net Income Per Share Before Restructuring Related Items	$ 0.15	$ 0.17	$ 0.35	$ 0.37

Net income before restructuring related items for the second quarter and year-to-date declined 9.9% and 1.7%, respectively, compared to fiscal 1996. Primary net income per share before restructuring related items for the second quarter and year-to-date declined 11.8% and 5.4%, respectively. The decrease in net income before restructuring related items in light of the increase in revenues was due to the increases in costs and expenses mentioned above.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $50.0 million at June 26, 1996 to $114.1 million at December 25, 1996, due primarily to the Company's capital expenditures as discussed below. Net cash provided by operating activities increased to $53.3 million for the first half of fiscal 1997 from $49.5 million during the same period in fiscal 1996 due to timing of operational receipts and payments.

Long-term debt outstanding at December 25, 1996 consisted of $100 million of unsecured senior notes and obligations under capital leases. At December 25, 1996, the Company had $209.9 million in available funds from credit facilities.

Capital expenditures were $104.9 million for the first half of fiscal 1997 as compared to $100.3 million in the first half of fiscal 1996. Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and the ongoing remodeling program. The Company estimates that its capital expenditures during the third quarter will approximate $68 million. These capital expenditures will be funded from internal operations, cash equivalents, income earned from investments, build-to-suit lease agreements with landlords, proceeds from the sales of restaurants closed in conjunction with the strategic plan approved in fiscal 1996, and drawdowns on the Company's available lines of credit.

On January 23, 1997, the Board of Directors approved a plan to repurchase up to $150 million of the Company's common stock. Repurchases will be made from time to time in open market transactions. All repurchases will be made in accordance with applicable securities regulations, and the timing of the repurchases will be dependent upon market conditions, share price, and other factors. The repurchased common stock may be used by the Company to satisfy obligations under its savings plans, to meet the needs of its various stock option plans, or for other corporate purposes. The Company intends to finance the repurchase program through the combination of cash provided by operations, the liquidation of its marketable securities portfolio, and the disposition of a portion of its real estate portfolio pursuant to sale-leaseback transactions.

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.

SUBSEQUENT EVENT

Subsequent to December 25, 1996, the Company announced that it is implementing a realignment of its management structure to more directly support its various restaurant concepts. This realignment will include upgrading certain strategic functions and decentralizing certain functions that are more efficiently done at the concept level. In conjunction with the realignment certain positions were eliminated at the corporate offices.

FORWARD-LOOKING STATEMENTS

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the impact of competition, the seasonality of the Company's business, taxes, inflation, and governmental regulations.

PART II. OTHER INFORMATION

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

The Company's Proxy Statement dated September 24, 1996 for the Annual Meeting of Shareholders held on November 7, 1996, as filed with the Securities and Exchange Commission on September 24, 1996, is incorporated herein by reference.

(a) The Annual Meeting of Shareholders of the Company was held on November 7, 1996.

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

Number of Affirmative Votes Cast	Number of Withhold Authority Votes Cast
52,476,106	13,128,435

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

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

Number of Affirmative Votes Cast	Number of Negative Votes Cast
48,393,822	16,842,647

Number of Abstain Votes Cast
153,187

(ii) 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
52,868,212	12,345,795

Number of Abstain Votes Cast
175,649

Item 6: EXHIBITS

Exhibit 27 Financial Data Schedule. Filed with EDGAR version.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: February 7, 1996   By: /s/ Ronald A. McDougall

Ronald A. McDougall, President and
Chief Executive Officer
(Duly Authorized Signatory)

Date: February 7, 1996   By: /s/ Debra Smithart

Debra Smithart, Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

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1,000

6-MOS
JUN-25-1997
JUL-27-1996
DEC-25-1996
19,620
0
19,796
275
11,603
89,368
965,552
268,684
980,439
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28,025
0.35
0.35