

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 28, 2022
Commission File Number 1-10275



BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

3000 Olympus Blvd

Dallas TX

(Address of principal executive offices)

75-1914582

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

75019

(Zip Code)

(972) 980-9917

(Registrant's telephone number, including area code)

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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of October 28, 2022: 44,031,628 shares

BRINKER INTERNATIONAL, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

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

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Revenues		
Company sales	\$ 946.1	\$ 865.6
Franchise revenues	9.4	10.8
Total revenues	955.5	876.4
Operating costs and expenses		
Food and beverage costs	289.5	234.3
Restaurant labor	330.6	304.9
Restaurant expenses	268.8	231.3
Depreciation and amortization	41.9	39.3
General and administrative	39.5	36.5
Other (gains) and charges	5.0	4.5
Total operating costs and expenses	975.3	850.8
Operating (loss) income	(19.8)	25.6
Interest expenses	12.3	12.5
Other income, net	(0.4)	(0.3)
(Loss) Income before income taxes	(31.7)	13.4
(Benefit) Provision for income taxes	(1.5)	0.2
Net (loss) income	\$ (30.2)	\$ 13.2
Basic net (loss) income per share	\$ (0.69)	\$ 0.29
Diluted net (loss) income per share	\$ (0.69)	\$ 0.28
Basic weighted average shares outstanding	43.9	45.9
Diluted weighted average shares outstanding	43.9	47.0
Other comprehensive loss		
Foreign currency translation adjustment	\$ (1.0)	\$ (0.4)
Other comprehensive loss	(1.0)	(0.4)
Comprehensive (loss) income	\$ (31.2)	\$ 12.8

See accompanying Notes to Consolidated Financial Statements (Unaudited)

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In millions, except per share amounts)

	Unaudited September 28, 2022	June 29, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19.5	\$ 13.5
Accounts receivable, net	57.6	66.4
Inventories	36.3	35.6
Restaurant supplies	55.4	55.5
Prepaid expenses	35.4	25.7
Income taxes receivable, net	5.6	4.5
Total current assets	209.8	201.2
Property and equipment, at cost		
Land	43.4	43.4
Buildings and leasehold improvements	1,612.4	1,603.9
Furniture and equipment	802.4	793.0
Construction-in-progress	48.4	33.6
	2,506.6	2,473.9
Less accumulated depreciation and amortization	(1,683.5)	(1,657.2)
Net property and equipment	823.1	816.7
Other assets		
Operating lease assets	1,152.1	1,160.5
Goodwill	194.8	195.1
Deferred income taxes, net	66.5	62.5
Intangibles, net	26.8	27.4
Other	20.7	21.0
Total other assets	1,460.9	1,466.5
Total assets	\$ 2,493.8	\$ 2,484.4
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 146.5	\$ 134.3
Gift card liability	75.0	83.9
Accrued payroll	106.0	111.0
Operating lease liabilities	112.8	112.7
Other accrued liabilities	133.3	116.1
Total current liabilities	573.6	558.0
Long-term debt and finance leases, less current installments	1,020.8	989.1
Long-term operating lease liabilities, less current portion	1,141.1	1,151.1
Other liabilities	54.9	54.3
Commitments and contingencies (Note 13)		
Shareholders' deficit		
Common stock (250.0 million authorized shares; \$0.10 par value; 60.3 million shares issued and 44.0 million shares outstanding at September 28, 2022, and 70.3 million shares issued and 43.8 million shares outstanding at June 29, 2022)	6.0	7.0
Additional paid-in capital	688.0	690.9
Accumulated other comprehensive loss	(6.3)	(5.3)
Accumulated deficit	(484.7)	(148.4)
Treasury stock, at cost (16.3 million shares at September 28, 2022, and 26.5 million shares at June 29, 2022)	(499.6)	(812.3)
Total shareholders' deficit	(296.6)	(268.1)
Total liabilities and shareholders' deficit	\$ 2,493.8	\$ 2,484.4

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Cash flows from operating activities		
Net (loss) income	\$ (30.2)	\$ 13.2
Adjustments to reconcile Net (loss) income to Net cash provided by operating activities:		
Depreciation and amortization	41.9	39.3
Stock-based compensation	4.7	4.3
Restructure and impairment charges	2.4	1.9
Net loss on disposal of assets	1.5	0.7
Other	0.4	1.5
Changes in assets and liabilities, net of the impact of acquisitions:		
Accounts receivable, net	6.1	12.7
Inventories	(1.1)	(0.3)
Restaurant supplies	0.0	(0.3)
Prepaid expenses	(9.7)	(4.6)
Operating lease assets, net of liabilities	(0.9)	8.1
Deferred income taxes, net	(4.1)	8.2
Other assets	0.0	0.1
Accounts payable	7.1	(12.7)
Gift card liability	(8.9)	(4.8)
Accrued payroll	(5.0)	(24.8)
Other accrued liabilities	18.7	7.7
Current income taxes	1.4	(9.1)
Other liabilities	0.3	(0.9)
Net cash provided by operating activities	<u>24.6</u>	<u>40.2</u>
Cash flows from investing activities		
Payments for property and equipment	(46.7)	(37.3)
Proceeds from note receivable	1.1	—
Payments for franchise restaurant acquisitions	—	(47.5)
Proceeds from sale leaseback transactions, net of related expenses	—	20.5
Net cash used in investing activities	<u>(45.6)</u>	<u>(64.3)</u>
Cash flows from financing activities		
Borrowings on revolving credit facility	135.0	285.0
Payments on revolving credit facility	(100.0)	(205.0)
Payments on long-term debt	(5.8)	(5.5)
Purchases of treasury stock	(2.0)	(39.6)
Payments of dividends	(0.2)	(0.8)
Payments for debt issuance costs	—	(3.0)
Proceeds from issuance of treasury stock	0.0	0.3
Net cash provided by financing activities	<u>27.0</u>	<u>31.4</u>
Net change in cash and cash equivalents	6.0	7.3
Cash and cash equivalents at beginning of period	13.5	23.9
Cash and cash equivalents at end of period	<u>\$ 19.5</u>	<u>\$ 31.2</u>

See accompanying Notes to Consolidated Financial Statements (Unaudited)

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements (Unaudited)
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1. BASIS OF PRESENTATION

References to “Brinker,” the “Company,” “we,” “us,” and “our” in this Form 10-Q refer to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc. Our Consolidated Financial Statements (Unaudited) as of September 28, 2022 and June 29, 2022, and for the thirteen week periods ended September 28, 2022 and September 29, 2021, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

Effective for the first quarter of fiscal 2023, we are presenting certain revenue streams related to gift cards, digital entertainment, Maggiano’s banquet service charges and delivery fees 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 ongoing 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.

We are principally engaged in the ownership, operation, development and franchising of the Chili’s® Grill & Bar (“Chili’s”) and Maggiano’s Little Italy® (“Maggiano’s”) restaurant brands, as well as virtual brands including It’s Just Wings® and Maggiano’s Italian Classics®. As of September 28, 2022, we owned, operated or franchised 1,645 restaurants, consisting of 1,182 Company-owned restaurants and 463 franchised restaurants, located in the United States, 28 countries and two United States territories.

Use of Estimates

The preparation of the Consolidated Financial Statements (Unaudited) is in conformity with generally accepted accounting principles in the United States (“GAAP”) and requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements (Unaudited), and the reported amounts of revenues and costs and expenses in the reporting periods. Actual results could differ from those estimates.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in our opinion, necessary to fairly state the interim operating results, financial position and cash flows for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with GAAP, have been omitted pursuant to SEC rules and regulations. The Notes to Consolidated Financial Statements (Unaudited) should be read in conjunction with the Notes to Consolidated Financial Statements contained in our June 29, 2022 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes. All amounts in the Notes to Consolidated Financial Statements (Unaudited) are presented in millions unless otherwise specified.

Foreign Currency Translation

The foreign currency translation adjustment included in Comprehensive (loss) income in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) represents the unrealized impact of translating the financial statements of our Canadian restaurants from Canadian dollars to United States dollars. This amount is not included in Net (loss) income and would only be realized upon disposition of our Canadian restaurants. The related Accumulated other comprehensive loss is presented in the Consolidated Balance Sheets (Unaudited).

Impact of COVID-19 Pandemic

The number of open dining rooms and the dining room capacity restrictions have fluctuated over the course of the COVID-19 pandemic based on state and local mandates and has resulted in significant adverse impacts to our guest traffic and sales primarily in fiscal 2021. Starting fiscal 2022, we have experienced limited product shortages and service disruptions in our supply chain, limited availability of labor to operate our restaurants due to a tight labor market and an increase in employee turnover. It is possible that supply chain and labor shortages or disruptions could continue or increase in future periods if demand for goods, transportation and labor remains high.

We have been carefully assessing the effect of COVID-19 on our business as conditions continue to evolve throughout the communities we serve. At this time, the ultimate impact of COVID-19 cannot be reasonably estimated due to the uncertainty about the extent and the duration of the spread of the virus and could lead to further reduced sales, capacity restrictions, restaurant closures, delays in our supply chain or impair our ability to staff accordingly which could adversely impact our financial results.

Impact of Inflation

During the first quarter of fiscal 2023, inflation did have a material impact on our operations. Increasing inflation could have a severe impact on the United States or global economies and have an adverse impact on our business, financial condition and results of operations. If commodity pricing and labor costs increase significantly, we may not be able to adjust menu prices to sufficiently offset the effect of the various cost increases without negatively impacting consumer demand.

New Accounting Standards Implemented in Fiscal 2023

We reviewed accounting pronouncements that became effective for our fiscal 2023 and determined that either they were not applicable or they did not have a material impact on the Consolidated Financial Statements (Unaudited). We also reviewed recently issued accounting pronouncements to be adopted in future periods and determined that they are not expected to have a material impact on the Consolidated Financial Statements (Unaudited).

2. REVENUE RECOGNITION

Deferred Franchise and Development Fees

Our deferred franchise and development fees consist of the unrecognized fees received from franchisees. Recognition of these fees in subsequent periods is based on satisfaction of the contractual performance obligations of our active contracts with franchisees. We also expect to earn subsequent period royalties and advertising fees related to our franchise contracts; however, due to the variability and uncertainty of these future revenues based upon a sales-based measure, these future revenues are not yet estimable as the performance obligations remain unsatisfied.

Deferred franchise and development fees are classified within Other accrued liabilities for the current portion expected to be recognized within the next 12 months, and Other liabilities for the long-term portion in the Consolidated Balance Sheets (Unaudited).

The following table reflects the changes in deferred franchise and development fees between June 29, 2022 and September 28, 2022:

	Deferred Franchise and Development Fees
Balance as of June 29, 2022	\$ 10.1
Additions	0.7
Amount recognized to Franchise revenues	(0.3)
Balance as of September 28, 2022	<u>\$ 10.5</u>

The following table illustrates franchise and development fees expected to be recognized in the future related to performance obligations that were unsatisfied or partially unsatisfied as of September 28, 2022:

Fiscal Year	Franchise and Development Fees Revenue Recognition
Remainder of 2023	\$ 0.7
2024	0.9
2025	0.8
2026	0.8
2027	0.7
Thereafter	6.6
	<u>\$ 10.5</u>

Deferred Gift Card Revenues

Deferred revenues related to our gift cards include the full value of unredeemed gift card balances less recognized breakage and the unamortized portion of third party fees. The following table reflects the changes in the Gift card liability between June 29, 2022 and September 28, 2022:

	Gift Card Liability
Balance as of June 29, 2022	\$ 83.9
Gift card sales	17.1
Gift card redemptions recognized to Company sales	(23.8)
Gift card breakage recognized to Company sales	(2.8)
Other	0.6
Balance as of September 28, 2022	<u>\$ 75.0</u>

3. OTHER GAINS AND CHARGES

Other (gains) and charges in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) consist of the following:

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Restaurant closure charges	\$ 1.5	\$ 0.2
Enterprise system implementation costs	1.0	0.6
Remodel-related costs	0.8	1.5
Lease modification gain, net	(0.7)	—
Other	2.4	2.2
	<u>\$ 5.0</u>	<u>\$ 4.5</u>

Restaurant closure charges related to closure costs and leases associated with certain closed Chili's restaurants for all periods presented.

Enterprise system implementation costs primarily consisted of consulting fees and subscription fees related to the ongoing enterprise system implementation for all periods presented.

Remodel-related costs related to existing fixed asset write-offs associated with the ongoing Chili's and Maggiano's remodel projects for all periods presented.

Lease modification gain, net related to the lease termination of certain Chili's operating lease liabilities.

4. INCOME TAXES

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Effective income tax rate	4.7 %	1.5 %

The federal statutory tax rate for the periods presented was 21.0%. Reconciliation between the statutory tax rate and the effective tax rate is as follows:

	Thirteen Week Period Ended September 28, 2022
Federal statutory tax rate	21.0 %
FICA tip tax credit	(22.8)%
State income taxes, net of federal benefit	5.9 %
Stock-based compensation tax shortfalls	0.7 %
Other	(0.1)%
Effective income tax rate	4.7 %

5. NET (LOSS) INCOME PER SHARE

Basic net (loss) income per share is computed by dividing Net (loss) income by the Basic weighted average shares outstanding for the reporting period. Diluted net (loss) income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of Diluted net (loss) income per share, the Basic weighted average shares outstanding is increased by the dilutive effect of stock options and restricted share awards. Stock options and restricted share awards with an anti-dilutive effect are not included in the Diluted net (loss) income per share calculation. Basic weighted average shares outstanding are reconciled to Diluted weighted average shares outstanding as follows:

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Basic weighted average shares outstanding	43.9	45.9
Dilutive stock options	—	0.4
Dilutive restricted shares	—	0.7
Total dilutive impact	—	1.1
Diluted weighted average shares outstanding	43.9	47.0
Awards excluded due to anti-dilutive effect	2.8	0.0

6. SEGMENT INFORMATION

Our operating segments are Chili's and Maggiano's. The Chili's segment includes the results of our Company-owned Chili's restaurants, which are principally located in the United States, within the full-service casual dining segment of the industry. The Chili's segment also has Company-owned restaurants in Canada, and franchised locations in the United States, 28 countries and two United States territories. The Maggiano's segment includes the results of our Company-owned Maggiano's restaurants in the United States as well as the results from our domestic franchise business. The Other segment includes costs related to our restaurant support teams for the Chili's and Maggiano's brands, including operations, finance, franchise, marketing, human resources and culinary innovation. The Other segment also includes costs related to the common and shared infrastructure, including accounting, information technology, purchasing, guest relations, legal and restaurant development.

Company sales for each segment 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 for each operating segment include royalties, franchise advertising fees, franchise and development fees and gift card equalization.

We do not rely on any major customers as a source of sales, and the customers and long-lived assets of our operating segments are predominantly located in the United States. There were no material transactions amongst our operating segments.

Our chief operating decision maker uses Operating (loss) income as the measure for assessing performance of our segments. Operating income includes revenues and expenses directly attributable to segment-level results of operations. Restaurant expenses during the periods presented primarily included restaurant rent, property and equipment maintenance, utilities, delivery fees, supplies, credit card processing fees, property taxes, supervision expenses, and worker's comp and general liability insurance.

The following tables reconcile our segment results to our consolidated results reported in accordance with GAAP:

	Thirteen Week Period Ended September 28, 2022			
	Chili's	Maggiano's	Other	Consolidated
Company sales	\$ 840.6	\$ 105.5	\$ —	\$ 946.1
Franchise revenues	9.3	0.1	—	9.4
Total revenues	<u>849.9</u>	<u>105.6</u>	<u>—</u>	<u>955.5</u>
Food and beverage costs	260.9	28.6	—	289.5
Restaurant labor	294.4	36.2	—	330.6
Restaurant expenses	236.9	31.7	0.2	268.8
Depreciation and amortization	36.0	3.2	2.7	41.9
General and administrative	9.5	2.5	27.5	39.5
Other (gains) and charges	3.0	0.5	1.5	5.0
Total operating costs and expenses	<u>840.7</u>	<u>102.7</u>	<u>31.9</u>	<u>975.3</u>
Operating income (loss)	9.2	2.9	(31.9)	(19.8)
Interest expenses	1.0	0.1	11.2	12.3
Other income, net	—	—	(0.4)	(0.4)
Income (loss) before income taxes	<u>\$ 8.2</u>	<u>\$ 2.8</u>	<u>\$ (42.7)</u>	<u>\$ (31.7)</u>
Segment assets	\$ 2,127.4	\$ 220.0	\$ 146.4	\$ 2,493.8
Segment goodwill	156.4	38.4	—	194.8
Payments for property and equipment	42.7	1.9	2.1	46.7

Thirteen Week Period Ended September 29, 2021

	Chili's ⁽¹⁾	Maggiano's	Other	Consolidated
Company sales ⁽²⁾	\$ 776.9	\$ 88.7	\$ —	\$ 865.6
Franchise revenues ⁽²⁾	10.7	0.1	—	10.8
Total revenues	787.6	88.8	—	876.4
Food and beverage costs	213.4	20.9	—	234.3
Restaurant labor	273.5	31.4	—	304.9
Restaurant expenses	204.6	26.6	0.1	231.3
Depreciation and amortization	33.0	3.4	2.9	39.3
General and administrative	8.0	2.0	26.5	36.5
Other (gains) and charges	2.8	0.2	1.5	4.5
Total operating costs and expenses	735.3	84.5	31.0	850.8
Operating income (loss)	52.3	4.3	(31.0)	25.6
Interest expenses	1.4	0.1	11.0	12.5
Other income, net	(0.1)	—	(0.2)	(0.3)
Income (loss) before income taxes	\$ 51.0	\$ 4.2	\$ (41.8)	\$ 13.4
Payments for property and equipment	\$ 33.7	\$ 1.9	\$ 1.7	\$ 37.3

- (1) Chili's segment information for fiscal 2022 includes the results of operations and the fair values of assets related to the 68 restaurants purchased from three former franchisees subsequent to the acquisition dates. Refer to Note 14 - Fiscal 2022 Chili's Restaurant Acquisitions for further details.
- (2) Certain changes in presentation have been made to fiscal 2022 revenue amounts to enhance comparability to the fiscal 2023 presentation. These reclassifications have no effect on Total revenues or Net income previously reported. Refer to Note 1 - Basis of Presentation for further details.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. Fair value measurements are categorized in three levels based on the types of significant inputs used, as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs available at measurement date other than quote prices included in Level 1
Level 3	Unobservable inputs that cannot be corroborated by observable market data

Non-Financial Assets Measured on a Non-Recurring Basis

We review the carrying amounts of long-lived property and equipment including finance lease assets, operating lease assets, reacquired franchise rights and transferable liquor licenses annually or when events or circumstances indicate that the fair value may not substantially exceed the carrying amount. We record an impairment charge for the excess of the carrying amount over the fair value. All impairment charges were included in Other (gains) and charges in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) for the periods presented.

Intangibles, net in the Consolidated Balance Sheets (Unaudited) includes both indefinite-lived intangible assets such as transferable liquor licenses and definite-lived intangible assets such as reacquired franchise rights and trademarks. Intangibles, net included accumulated amortization associated with definite-lived intangible assets at September 28, 2022 and June 29, 2022, of \$13.2 million and \$12.6 million, respectively.

Definite Lived Assets Impairment

Definite lived assets include property and equipment, including finance lease assets, operating lease assets and reacquired franchise rights. During the thirteen week periods ended September 28, 2022 and September 29, 2021, no indicators of impairment were identified.

Indefinite Lived Assets Impairment

The fair values of transferable liquor licenses are based on prices in the open market for licenses in the same or similar jurisdictions and are categorized as Level 2. During the thirteen week periods ended September 28, 2022 and September 29, 2021, no indicators of impairment were identified.

Goodwill

We review the carrying amounts of goodwill annually or when events or circumstances indicate that the carrying amount may not be recoverable. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if the result of the qualitative assessment indicates a potential impairment, then the fair value of the reporting unit is compared to its carrying value. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the implied fair value of the goodwill.

Related to the qualitative assessment, changes in circumstances existing at the measurement date or at other times in the future, such as declines in our market capitalization, as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry could result in an impairment loss of all or a portion of our goodwill. We performed our annual goodwill impairment analysis in the second quarter of fiscal 2022 using a qualitative approach based on these factors and no indicators of impairment were identified. During the thirteen week period ended September 28, 2022, management concluded that no triggering event occurred.

Chili's Restaurant Acquisitions

In fiscal 2022, we completed the acquisition of 68 Chili's restaurants from three former franchisees. The preliminary fair value of assets acquired and liabilities assumed for these restaurants utilized Level 3 inputs. The fair values of intangible assets acquired were primarily based on significant inputs not observable in an active market, including estimates of replacement costs, future cash flows, and discount rates. Refer to Note 14 - Fiscal 2022 Chili's Restaurant Acquisitions for further details.

Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts because of the short maturity of these items.

Long-Term Debt

The carrying amount of debt outstanding related to our revolving credit facility approximates fair value as the interest rate on this instrument approximates current market rates (Level 2). The fair values of the 3.875% and 5.000% notes are based on quoted market prices and are considered Level 2 fair value measurements.

The 3.875% notes and 5.000% notes carrying amounts, which are net of unamortized debt issuance costs and discounts, and fair values are as follows:

	September 28, 2022		June 29, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.875% notes	\$ 299.8	\$ 297.0	\$ 299.7	\$ 295.4
5.000% notes	348.4	338.3	348.2	329.0

8. LEASES

We typically lease our restaurant facilities through ground leases (where we lease land only, but construct the building and improvements) or retail leases (where we lease the land/retail space and building). In addition to our restaurant facilities, we also lease our corporate headquarters location and certain equipment.

Lease Amounts Included in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

The components of lease expenses included in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) were as follows:

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Operating lease expenses (amortization and interest)	\$ 45.1	\$ 41.4
Variable lease cost	15.6	15.1
Finance lease amortization	5.2	5.6
Finance lease interest	1.1	1.6
Short-term lease cost	0.1	0.1
Sublease income	(0.9)	(1.1)
Total lease costs, net	\$ 66.2	\$ 62.7

Pre-Commencement Leases

As of the end of the first quarter of fiscal 2023, we have 11 pre-commencement leases for new Chili's locations with undiscounted fixed payments of \$15.8 million over the initial term. These leases are expected to commence in the next 12 months and are expected to have an economic lease term of 20 years. These leases will commence when the landlords make the property available to us for new restaurant construction. We will assess the reasonably certain lease term at the lease commencement date.

9. DEBT

Long-term debt consists of the following:

	September 28, 2022	June 29, 2022
Revolving credit facility	\$ 306.3	\$ 271.3
5.000% notes	350.0	350.0
3.875% notes ⁽¹⁾	300.0	300.0
Finance lease obligations	84.5	90.2
Total long-term debt and finance leases	1,040.8	1,011.5
Less: unamortized debt issuance costs and discounts	(1.8)	(2.1)
Total long-term debt, less unamortized debt issuance costs and discounts	1,039.0	1,009.4
Less: current installments of long-term debt and finance leases ⁽²⁾	(18.2)	(20.3)
Long-term debt and finance leases, less current installments	\$ 1,020.8	\$ 989.1

⁽¹⁾ Obligations under our 3.875% notes, which will mature in May 2023, have been classified as long-term, reflecting our intent and ability to refinance these notes through our existing revolving credit facility.

⁽²⁾ Current installments of long-term debt consist of finance leases and are recorded within Other accrued liabilities in the Consolidated Balance Sheets (Unaudited). Refer to Note 10 - Accrued and Other Liabilities for further details.

Revolving Credit Facility

In the thirteen week period ended September 28, 2022, net borrowings of \$35.0 million were drawn on our revolving credit facility. As of September 28, 2022, \$493.7 million of credit was available under the revolving credit facility.

The \$800.0 million revolving credit facility matures on August 18, 2026 and bears interest of LIBOR plus an applicable margin of 1.500% to 2.250% and an undrawn commitment fee of 0.250% to 0.350%, both based on a function of our debt-to-cash-flow ratio. As of September 28, 2022, our interest rate was 4.875% consisting of LIBOR of 3.125% plus the applicable margin of 1.750%.

Financial Covenants

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage ratios. As of September 28, 2022, we were in compliance with our covenants pursuant to the \$800.0 million revolving credit facility and under the terms of the indentures governing our 3.875% notes and 5.000% notes. We expect to remain in compliance with our covenants during the remainder of fiscal 2023.

10. ACCRUED AND OTHER LIABILITIES

Other accrued liabilities consist of the following:

	September 28, 2022	June 29, 2022
Property tax	\$ 28.6	\$ 23.3
Insurance	24.0	23.5
Current installments of long-term debt and finance leases	18.2	20.3
Sales tax	17.4	14.4
Interest	13.9	6.5
Utilities and services	10.2	9.6
Other ⁽¹⁾	21.0	18.5
	<u>\$ 133.3</u>	<u>\$ 116.1</u>

⁽¹⁾ Other primarily consists of guest deposits for Maggiano's banquets, contingent lease liabilities related to our lease guarantees, rent-related accruals, charitable donations, deferred franchise and development fees, state income taxes payable and other various accruals. Refer to Note 13 - Contingencies for additional information about our lease guarantees.

Other liabilities consist of the following:

	September 28, 2022	June 29, 2022
Insurance	\$ 37.0	\$ 36.9
Deferred franchise and development fees	9.6	9.2
Unrecognized tax benefits	3.0	3.0
Other	5.3	5.2
	<u>\$ 54.9</u>	<u>\$ 54.3</u>

11. SHAREHOLDERS' DEFICIT

The changes in Total shareholders' deficit during the thirteen week periods ended September 28, 2022 and September 29, 2021, respectively, were as follows:

	Thirteen Week Period Ended September 28, 2022					
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balances at June 29, 2022	\$ 7.0	\$ 690.9	\$ (148.4)	\$ (812.3)	\$ (5.3)	\$ (268.1)
Net loss	—	—	(30.2)	—	—	(30.2)
Other comprehensive loss	—	—	—	—	(1.0)	(1.0)
Dividends	—	—	0.0	—	—	0.0
Stock-based compensation	—	4.7	—	—	—	4.7
Purchases of treasury stock	—	0.2	—	(2.2)	—	(2.0)
Issuances of treasury stock	—	(7.8)	—	7.8	—	—
Retirement of common stock	(1.0)	—	(306.1)	307.1	—	—
Balances at September 28, 2022	\$ 6.0	\$ 688.0	\$ (484.7)	\$ (499.6)	\$ (6.3)	\$ (296.6)

	Thirteen Week Period Ended September 29, 2021					
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balances at June 30, 2021	\$ 7.0	\$ 685.4	\$ (266.1)	\$ (724.9)	\$ (4.7)	\$ (303.3)
Net income	—	—	13.2	—	—	13.2
Other comprehensive loss	—	—	—	—	(0.4)	(0.4)
Dividends	—	—	0.0	—	—	0.0
Stock-based compensation	—	4.3	—	—	—	4.3
Purchases of treasury stock	—	(2.0)	—	(37.6)	—	(39.6)
Issuances of treasury stock	—	(8.3)	—	8.6	—	0.3
Balances at September 29, 2021	\$ 7.0	\$ 679.4	\$ (252.9)	\$ (753.9)	\$ (5.1)	\$ (325.5)

Retirement of Common Stock

During the thirteen week period ended September 28, 2022, the Board of Directors approved the retirement of 10.0 million shares of Treasury stock for a weighted average price per share of \$30.71. As of September 28, 2022, 16.3 million shares remain in treasury.

Share Repurchases

Our share repurchase program is used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluate potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, borrowings and planned investment and financing needs. Repurchased shares are reflected as an increase in Treasury stock within Shareholders' deficit in the Consolidated Balance Sheets (Unaudited).

In August 2021, our Board of Directors reinstated our share repurchase program, allowing for a total available repurchase authority of \$300.0 million. In the thirteen week period ended September 28, 2022, we repurchased 0.1 million shares of our common stock for \$2.0 million, all of which were purchased from team members to satisfy tax withholding obligations on the vesting of restricted shares. As of September 28, 2022, approximately \$204.0 million was available under our share repurchase authorizations.

Stock-based Compensation

The following table presents the restricted share awards granted and related weighted average fair value per share amounts.

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Restricted share awards		
Restricted share awards granted	0.5	0.4
Weighted average fair value per share	\$ 28.42	\$ 53.76

Dividends

In the fourth quarter of fiscal 2020, our Board of Directors voted to suspend the quarterly cash dividend in response to liquidity needs created by the COVID-19 pandemic. In the thirteen week periods ended September 28, 2022 and September 29, 2021, dividends paid were solely related to the accrued dividends for restricted share awards that were granted prior to the suspension and vested in the period. Restricted share award dividends are accrued in Other accrued liabilities for the current portion to vest within 12 months, and Other liabilities for the portion that will vest after one year.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest is as follows:

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Income taxes, net	\$ 1.1	\$ 1.9
Interest, net of amounts capitalized	3.9	3.1

Non-cash operating, investing and financing activities are as follows:

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Operating lease additions ⁽¹⁾	\$ 23.6	\$ 60.0
Finance lease additions	0.2	8.9
Accrued capital expenditures	20.3	6.2
Retirement of fully depreciated assets	10.3	7.9

⁽¹⁾ The thirteen week period ended September 29, 2021 primarily included operating lease additions associated with the 23 restaurants purchased from a former franchisee. Refer to Note 14 - Fiscal 2022 Chili's Restaurant Acquisitions for further details.

13. CONTINGENCIES

Lease Commitments

We have, in certain cases, divested brands or sold restaurants to franchisees and have not been released from lease guarantees for the related restaurants. As of September 28, 2022 and June 29, 2022, we have outstanding lease guarantees or are secondarily liable for an estimated \$24.6 million and \$26.3 million, respectively. These amounts represent the maximum known potential liability of rent payments under the leases. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2023 through fiscal 2032.

We have received notices of default and have been named a party in lawsuits pertaining to some of these leases in circumstances where the current lessee did not pay its rent obligations. In the event of default under a lease by a

franchisee or owner of a divested brand, the indemnity and default clauses in our agreements with such third parties and applicable laws govern our ability to pursue and recover amounts we may pay on behalf of such parties. As of September 28, 2022, we have contingent liabilities of \$2.0 million for our estimated exposure of the lease defaults related to these lease guarantees. These contingent liabilities are classified within Other accrued liabilities in the Consolidated Balance Sheets (Unaudited).

Letters of Credit

We provide letters of credit to various insurers to collateralize obligations for outstanding claims. As of September 28, 2022, we had \$5.8 million in undrawn standby letters of credit outstanding. All standby letters of credit are renewable within the next 12 months.

Cyber Security Litigation

In fiscal 2018, we discovered malware at certain Chili's restaurants that may have resulted in unauthorized access or acquisition of customer payment card data. We settled all claims from payment card companies related to this incident and do not expect material claims from payment card companies in the future. In connection with this event, the Company was also named as a defendant in a putative class action lawsuit in the United States District Court for the Middle District of Florida (the "Litigation") relating to this incident. In the Litigation, plaintiffs assert various claims at the Company's Chili's restaurants involving customer payment card information and seek monetary damages in excess of \$5.0 million, injunctive and declaratory relief, and attorney's fees and costs.

Oral argument of our appeal of the district court's class certification order was held before the Eleventh Circuit Court of Appeals on June 8, 2022 in Jacksonville, Florida. We await the court's ruling. In the interim, all matters at the district court have been stayed. We believe we have defenses and intend to continue defending the Litigation. As such, as of September 28, 2022, we have concluded that a loss, or range of loss, from this matter is not determinable, therefore, we have not recorded a liability related to the Litigation. We will continue to evaluate this matter based on new information as it becomes available.

Legal Proceedings

Evaluating contingencies related to litigation is a process involving judgment on the potential outcome of future events, and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures pertaining to litigated matters each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the Consolidated Financial Statements.

We are engaged in various legal proceedings and have certain unresolved claims pending. Liabilities have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, management is of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect, individually or in the aggregate, on the consolidated financial condition or results of operations.

14. FISCAL 2022 CHILI'S RESTAURANT ACQUISITIONS

During fiscal 2022, we completed three acquisitions of certain assets and liabilities related to previously franchised Chili's locations, as follows:

- *Mid-Atlantic Region Acquisition* - On September 2, 2021, we acquired 23 previously franchised Chili's restaurants located in the Mid-Atlantic region of the United States for a total purchase price of \$47.7 million, including post-closing adjustments. The acquisition was funded with borrowings from our existing credit facility and proceeds from a sale leaseback transaction completed simultaneously with the acquisition.
- *Great Lakes Region Acquisition* - On October 31, 2021, we acquired 37 previously franchised Chili's restaurants located in the Great Lakes and Northeast region of the United States for a total purchase price of \$57.1 million, including post-closing adjustments, funded with borrowings from our existing credit facility.

- *Northwest Region Acquisition* - On February 1, 2022, we acquired six previously franchised Chili’s restaurants and on May 5, 2022, we acquired two additional previously franchised Chili’s restaurants located in the Northwest region of the United States for a total purchase price of \$2.0 million, including post-closing adjustments, funded with borrowings from our existing credit facility.

Pro-forma financial information for these acquisitions are not presented due to the immaterial impact of the financial results of the acquired restaurants in the Consolidated Financial Statements (Unaudited). We accounted for each of these acquisitions as a business combination.

The assets and liabilities of the acquired restaurants were recorded at their fair values. The results of operations, and assets and liabilities, of these restaurants are included in the Consolidated Financial Statements (Unaudited) from the acquisition dates.

The fair values of tangible and intangible assets acquired were primarily based on significant inputs not observable in an active market, including estimates of replacement costs, future cash flows and discount rates. These inputs represent Level 3 fair value measurements as defined under GAAP. The amounts recorded for the fair value of acquired assets and liabilities at the acquisition dates for the material acquisitions are as follows:

	Mid-Atlantic Region	Great Lakes Region
	Fair Value September 2, 2021	Fair Value October 31, 2021
Current assets	\$ 1.4	\$ 2.1
Property and equipment	46.2	43.6
Operating lease assets	23.6	47.8
Reacquired franchise rights ⁽¹⁾	4.7	4.6
Goodwill ⁽²⁾	—	7.2
Current liabilities	(1.4)	(1.4)
Finance lease liabilities, less current portion	(3.7)	—
Operating lease liabilities, less current portion	(23.1)	(46.8)
Net assets acquired ⁽³⁾	<u>\$ 47.7</u>	<u>\$ 57.1</u>

- (1) Reacquired franchise rights related to the Mid-Atlantic Region acquisition and Great Lakes Region acquisition both have weighted average amortization periods of approximately 15 years.
- (2) Goodwill is expected to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents the benefits expected as a result of the acquisition, including sales and unit growth opportunities, and the benefit of the assembled workforce of the acquired restaurants.
- (3) Net assets acquired at fair value related to the Mid-Atlantic Region acquisition are equal to the total purchase price of \$48.0 million, less \$0.3 million of closing adjustments. Net assets acquired at fair value related to the Great Lakes Region acquisition are equal to the total purchase price of \$56.0 million, plus \$1.1 million of closing adjustments.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help you understand our Company, our operations and our current operating environment. For an understanding of the significant factors that influenced our performance during the thirteen week periods ended September 28, 2022 and September 29, 2021, the MD&A should be read in conjunction with the Consolidated Financial Statements (Unaudited) and related Notes to Consolidated Financial Statements (Unaudited) included in this quarterly report. All amounts within the MD&A are presented in millions unless otherwise specified.

Overview

We are principally engaged in the ownership, operation, development and franchising of the Chili's® Grill & Bar ("Chili's") and Maggiano's Little Italy® ("Maggiano's") restaurant brands, as well as virtual brands including It's Just Wings® and Maggiano's Italian Classics®. As of September 28, 2022, we owned, operated or franchised 1,645 restaurants, consisting of 1,182 Company-owned restaurants and 463 franchised restaurants, located in the United States, 28 countries and two United States territories. Our restaurant brands, Chili's and Maggiano's, are both operating segments and reporting units.

Impact of COVID-19 Pandemic

The number of open dining rooms and the dining room capacity restrictions fluctuated over the course of the COVID-19 pandemic based on state and local mandates and resulted in significant adverse impacts to our guest traffic and sales primarily in fiscal 2021. Starting in fiscal 2022, we experienced limited product shortages and service disruptions in our supply chain, limited availability of labor to operate our restaurants due to a tight labor market, and an increase in employee turnover. It is possible that supply chain and labor shortages or disruptions could continue or increase in future periods if demand for goods, transportation and labor remains high. Additional impacts to the business may arise that we are not aware of currently. We will continue to closely monitor and adapt to the evolving situation.

Impact of Inflation

During the first quarter of fiscal 2023, inflation did have a material impact on our operations. Increasing inflation could have a severe impact on the United States or global economies and have an adverse impact on our business, financial condition and results of operations. If commodity pricing and labor costs increase significantly, we may not be able to adjust menu prices to sufficiently offset the effect of the various cost increases without negatively impacting consumer demand.

Operations Strategy

We are committed to strategies and a Company culture that we believe will grow sales, increase profits, bring back guests and engage team members. Our strategies and culture are intended to strengthen our position in casual dining and grow our core business over time. Our primary brand strategy is to make our guests feel special through a fun atmosphere, delicious food and drinks, with quality service so that our guests return to our restaurants.

Guest Engagement Through Technology - We have invested in our technology and off-premise options as more guests are opting for To-Go and delivery. During fiscal 2022, we expanded partnerships with third-party delivery companies, and Chili's, Maggiano's, and It's Just Wings brands are currently available on DoorDash, Uber Eats, and Grubhub. Orders to these third-party delivery companies are sent directly into our point of sale system, creating efficiencies and a system that allows us to better serve our guests. We believe that guests will continue to prefer convenience and off-premise options. We plan to continue investments in our technology systems to support our To-Go and delivery capabilities.

In dining rooms, we use tabletop devices to engage our guests at the table. These devices provide functionality for guests to pay at the table, order or re-order, engage in digital entertainment, to provide guest feedback and interact with our My Chili's Rewards program. Our My Chili's Rewards loyalty program offers free chips and salsa or a non-alcoholic beverage to members based on their visit frequency. We customize offerings for these guests based on their purchase behavior.

Chili's - Chili's strategy is to differentiate from our competitors with a flexible platform of value offerings at both lunch and dinner and we are committed to offering consistent, quality products at a price point that is compelling to our guests. During fiscal 2022, we discontinued the 3 for \$10.99 platform and replaced it with 3 for Me, a flexible value bundle providing guests an unbeatable everyday value, while allowing us to be more flexible in terms of pricing, in light of the inflationary challenges. Guests can order customized meals inclusive of a non-alcoholic drink, appetizer and entrée starting at just \$10.99. The bundle can be augmented with a premium appetizer, dessert, or alcoholic beverage, each for just \$2.49 extra. Additionally, we have continued our Margarita of the Month

promotion that features a premium-liquor margarita every month at an every-day value price. Most of our value propositions are available for guests to enjoy in our dining rooms or off-premise.

Maggiano's - At Maggiano's, we believe our focus on operating fundamentals and technology provide the foundation for future efficiencies and growth. For example, Maggiano's partnerships with delivery service providers make third party delivery more sustainable and efficient for the brand to operate. In addition, our guests have the ability to order delivery directly through the Maggiano's website. Maggiano's historically hosts a significant portion of its banquets in the holiday season during the second and third quarters of the fiscal year.

Virtual Brands - We have invested in virtual brands, restaurant-like menu offerings that are only available for purchase digitally, to drive restaurant traffic and sales growth at both Chili's and Maggiano's. Our virtual brands have enabled us to capitalize on the growth in off-premise dining and to leverage excess kitchen capacity in our existing restaurant infrastructure, while adding minimal complexity in our restaurants' kitchens.

It's Just Wings, launched at the end of fiscal 2020, is an offering consisting of chicken wings available in a variety of different sauces and rubs, curly fries, ranch dressing and hand pies for a value price. Maggiano's Italian Classics offers a select group of items inspired by the menu of Maggiano's Little Italy including several appetizers, salads, pastas, entrées, mac & cheese and hand pies.

These brands are available for purchase through our third party service providers including DoorDash, UberEats, Google Food Ordering and the brand-specific websites itsjustwings.com and maggianosclassics.com. The operating results for the virtual brands are included in the results of our Chili's and Maggiano's brands, based on the restaurants that prepared and processed the food orders.

Franchise Partnerships - Our franchisees continue to grow our brands around the world, opening three restaurants for the thirteen week period ended September 28, 2022. We plan to strategically pursue expansion of Chili's internationally through development agreements with new and existing franchise partners. We are also supporting our franchise partners with opportunities to expand sales through our virtual brand offerings.

Company Development - The following table details the number of restaurant openings during the thirteen week periods ended September 28, 2022 and September 29, 2021, respectively, total full year projected openings in fiscal 2023 and the total restaurants open at each period end:

	Openings During the Thirteen Week Periods Ended		Full Year Projected Openings	Total Open Restaurants at	
	September 28, 2022	September 29, 2021	Fiscal 2023	September 28, 2022	September 29, 2021
Company-owned restaurants					
Chili's domestic	—	1	17	1,126	1,088
Chili's international	—	—	—	5	5
Maggiano's domestic	—	—	—	51	52
Total Company-owned	—	1	17	1,182	1,145
Franchise restaurants					
Chili's domestic	1	—	1-2	102	146
Chili's international	2	3	16-20	359	357
Maggiano's domestic	—	—	—	2	2
Total franchise	3	3	17-22	463	505
Total restaurants					
Chili's domestic	1	1	18-19	1,228	1,234
Chili's international	2	3	16-20	364	362
Maggiano's domestic	—	—	—	53	54
Total	3	4	34-39	1,645	1,650

Relocations are not included in the table above. We plan to relocate one Chili's domestic Company-owned restaurant during the remainder of fiscal 2023.

At September 28, 2022, we own property for 51 of the 1,182 Company-owned restaurants and two closed restaurants. The net book values associated with these restaurants included land of \$43.4 million and buildings of \$14.1 million.

Revenues

Thirteen Week Period Ended September 28, 2022 compared to September 29, 2021

Revenues are presented in two separate captions in the Consolidated Statements of Comprehensive (Loss) Income (Unaudited) to provide more clarity around Company-owned restaurant revenues and operating expenses trends:

- 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 royalties, franchise advertising fees, franchise and development fees and gift card equalization.

The following is a summary of the change in Total revenues:

	Total Revenues		
	Chili's	Maggiano's	Total Revenues
Thirteen Week Period Ended September 29, 2021	\$ 787.6	\$ 88.8	\$ 876.4
Change from:			
Comparable restaurant sales	28.5	15.3	43.8
Restaurant acquisitions ⁽¹⁾	33.7	—	33.7
Restaurant openings	2.6	—	2.6
Maggiano's banquet income	—	1.1	1.1
Gift card discount costs	0.3	0.1	0.4
Gift card breakage	0.4	—	0.4
Digital entertainment revenues	0.4	—	0.4
Delivery service fee income	(0.9)	0.1	(0.8)
Restaurant closures	(1.3)	0.2	(1.1)
Company sales	63.7	16.8	80.5
Franchise revenues ⁽²⁾	(1.4)	—	(1.4)
Thirteen Week Period Ended September 28, 2022	\$ 849.9	\$ 105.6	\$ 955.5

(1) We acquired 23 Chili's restaurants on September 2, 2021, 37 Chili's restaurants on October 31, 2021, six Chili's restaurants on February 1, 2022 and two Chili's restaurants on May 5, 2022 from three franchisees. The revenues generated by these restaurants since the date of the acquisitions are included in Company sales for the thirteen week period ended September 28, 2022.

(2) Our Chili's and Maggiano's franchisees generated sales of approximately \$203.3 million and \$2.4 million respectively for the thirteen week period ended September 28, 2022 compared to \$211.9 million and \$1.9 million respectively in sales for the thirteen week period ended September 29, 2021.

The table below presents the percentage change in comparable restaurant sales and restaurant capacity for the thirteen week period ended September 28, 2022 compared to September 29, 2021:

	Percentage Change in the Thirteen Week Period Ended September 28, 2022 versus September 29, 2021				
	Comparable Restaurant Sales ⁽¹⁾	Price Impact	Mix-Shift Impact ⁽²⁾	Traffic Impact	Restaurant Capacity ⁽³⁾
Company-owned	5.3 %	7.2 %	3.0 %	(4.9)%	5.2 %
Chili's	3.8 %	7.4 %	3.0 %	(6.6)%	5.4 %
Maggiano's	18.2 %	5.8 %	3.1 %	9.3 %	0.0 %
Franchise ⁽⁴⁾	6.6 %				
U.S.	0.6 %				
International	10.4 %				
Chili's domestic ⁽⁵⁾	3.4 %				
System-wide ⁽⁶⁾	5.5 %				

(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) Restaurant Capacity is measured by sales weeks and is calculated based on comparable periods year-over-year, including the effect of the acquisitions completed during fiscal 2022.
- (4) Chili's and Maggiano's franchise sales generated by franchisees are not included in Total revenues in the Consolidated Statements of Comprehensive (Loss) 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.
- (5) 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.
- (6) System-wide Comparable Restaurant Sales are derived from sales generated by Chili's and Maggiano's Company-owned and franchise-operated restaurants.

Costs and Expenses

Thirteen Week Period Ended September 28, 2022 compared to September 29, 2021

The following is a summary of the changes in Costs and Expenses:

	Thirteen Week Periods Ended					
	September 28, 2022		September 29, 2021		Favorable (Unfavorable) Variance	
	Dollars	% of Company Sales	Dollars	% of Company Sales	Dollars	% of Company Sales
Food and beverage costs	\$ 289.5	30.7 %	\$ 234.3	27.1 %	\$ (55.2)	(3.6)%
Restaurant labor	330.6	34.9 %	304.9	35.2 %	(25.7)	0.3 %
Restaurant expenses	268.8	28.4 %	231.3	26.7 %	(37.5)	(1.7)%
Depreciation and amortization	41.9		39.3		(2.6)	
General and administrative	39.5		36.5		(3.0)	
Other (gains) and charges	5.0		4.5		(0.5)	
Interest expenses	12.3		12.5		0.2	
Other income, net	(0.4)		(0.3)		0.1	

As a percentage of Company sales:

- *Food and beverage costs* increased 3.6%, including 5.9% of higher poultry, meat and other commodity costs due to supply chain constraints and inflationary pressures, partially offset by 2.1% of increased menu pricing and 0.2% of favorable menu item mix.
- *Restaurant labor* decreased 0.3%, including 1.7% of sales leverage, partially offset by 0.7% of increased manager salaries rates and headcount and 0.7% of increased hourly wage rates.
- *Restaurant expenses* increased 1.7%, driven by 0.8% of higher delivery fee expenses, 0.5% of higher utilities expenses, 0.5% of higher repairs and maintenance expenses, 0.2% of higher rent expenses, 0.2% of higher workers' compensation and general liability insurance, 0.2% of higher supplies and 0.5% of higher other restaurant expenses, These increases were partially offset by 1.0% of sales leverage and 0.2% of lower advertising expenses.

Depreciation and amortization increased \$2.6 million as follows:

	Depreciation and Amortization
Thirteen Week Period Ended September 29, 2021	\$ 39.3
Change from:	
Additions for existing and new restaurant assets	5.3
Acquisition of Chili's restaurants ⁽¹⁾	2.3
Corporate assets	0.5
Retirements and fully depreciated restaurant assets	(5.0)
Finance leases	(0.5)
Thirteen Week Period Ended September 28, 2022	<u>\$ 41.9</u>

⁽¹⁾ Represents the incremental depreciation and amortization of the assets and finance leases of the 68 Chili's restaurants acquired in fiscal 2022.

General and administrative expenses increased \$3.0 million as follows:

	General and Administrative
Thirteen Week Period Ended September 29, 2021	\$ 36.5
Change from:	
Performance-based compensation	1.0
Payroll-related expenses	0.9
Recruiting	0.4
Professional fees	(1.1)
Other	1.8
Thirteen Week Period Ended September 28, 2022	<u>\$ 39.5</u>

Other (gains) and charges consisted of the following (for further details, refer to Note 3 - Other Gains and Charges):

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Restaurant closure charges	\$ 1.5	\$ 0.2
Enterprise system implementation costs	1.0	0.6
Remodel-related costs	0.8	1.5
Lease modification gain, net	(0.7)	—
Other	2.4	2.2
	<u>\$ 5.0</u>	<u>\$ 4.5</u>

Income Taxes

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Effective income tax rate	4.7 %	1.5 %

The federal statutory tax rate was 21.0% for the thirteen week periods ended September 28, 2022 and September 29, 2021.

The effective income tax rate in the thirteen week period ended September 28, 2022 increased compared to the thirteen week period ended September 29, 2021 creating a tax benefit due to negative Income before income taxes.

The increase in benefit is primarily due to the more favorable impact from the FICA tip tax credit, partially offset by the excess tax shortfalls associated with stock-based compensation.

Segment Results

Chili's Segment

Thirteen Week Period Ended September 28, 2022 compared to September 29, 2021

	Thirteen Week Periods Ended		Favorable (Unfavorable) Variance	Variance as percentage
	September 28, 2022	September 29, 2021		
Company sales	\$ 840.6	\$ 776.9	\$ 63.7	8.2 %
Franchise revenues	9.3	10.7	(1.4)	(13.1)%
Total revenues	\$ 849.9	\$ 787.6	\$ 62.3	7.9 %

Chili's Total revenues increased 7.9% primarily due to price increases, favorable mix, the acquisition of 68 Chili's restaurants in fiscal 2022 and four new restaurant openings, partially offset by lower traffic. Refer to "Revenues" section above for further details about Chili's revenues changes.

The following is a summary of the changes in Chili's operating costs and expenses:

	Thirteen Week Periods Ended				Favorable (Unfavorable) Variance	
	September 28, 2022		September 29, 2021		Dollars	% of Company Sales
	Dollars	% of Company Sales	Dollars	% of Company Sales		
Food and beverage costs	\$ 260.9	31.0 %	\$ 213.4	27.5 %	\$ (47.5)	(3.5)%
Restaurant labor	294.4	35.0 %	273.5	35.2 %	(20.9)	0.2 %
Restaurant expenses	236.9	28.2 %	204.6	26.3 %	(32.3)	(1.9)%
Depreciation and amortization	36.0		33.0		(3.0)	
General and administrative	9.5		8.0		(1.5)	
Other (gains) and charges	3.0		2.8		(0.2)	

As a percentage of Company sales:

- Chili's Food and beverage costs increased 3.5%, including 5.9% of higher poultry, meat and other commodity costs resulting from supply chain constraints and inflationary pressures, partially offset by 2.1% of increased menu pricing and 0.3% of favorable menu item mix.
- Chili's Restaurant labor decreased 0.2%, including 1.2% of sales leverage and 0.3% of lower other restaurant labor costs, partially offset by 0.9% of increased manager salary rates, headcount and bonus and 0.4% of increased hourly wage rates.
- Chili's Restaurant expenses increased 1.9%, including 0.9% of higher delivery fee expenses, 0.5% of higher utilities expenses, 0.5% of higher repairs and maintenance expenses, 0.2% of higher rent expenses and 0.4% of higher other restaurant expenses, partially offset by 0.6% of sales leverage.

Chili's Depreciation and amortization increased \$3.0 million as follows:

	Depreciation and Amortization
Thirteen Week Period Ended September 29, 2021	\$ 33.0
Change from:	
Additions for existing and new restaurant assets	4.9
Acquisition of Chili's restaurants ⁽¹⁾	2.3
Retirements and fully depreciated restaurant assets	(3.7)
Finance leases	(0.5)
Thirteen Week Period Ended September 28, 2022	<u>\$ 36.0</u>

⁽¹⁾ Represents the incremental depreciation and amortization of the assets and finance leases of the 68 Chili's restaurants acquired in fiscal 2022.

Chili's General and administrative increased \$1.5 million as follows:

	General and Administrative
Thirteen Week Period Ended September 29, 2021	\$ 8.0
Change from:	
Payroll-related expenses	0.5
Performance-based compensation	0.4
Stock-based compensation	(0.2)
Other	0.8
Thirteen Week Period Ended September 28, 2022	<u>\$ 9.5</u>

Chili's Other (gains) and charges consisted of the following (for further details, refer to Note 3 - Other Gains and Charges):

	Thirteen Week Periods Ended	
	September 28, 2022	September 29, 2021
Restaurant closure charges	\$ 1.1	\$ 0.2
Remodel-related costs	0.8	1.4
Lease modification gain, net	(0.7)	—
Other	1.8	1.2
	<u>\$ 3.0</u>	<u>\$ 2.8</u>

Maggiano's Segment

Thirteen Week Period Ended September 28, 2022 compared to September 29, 2021

	Thirteen Week Periods Ended		Favorable (Unfavorable) Variance	Variance as a percentage
	September 28, 2022	September 29, 2021		
Company sales	\$ 105.5	\$ 88.7	\$ 16.8	18.9 %
Franchise revenues	0.1	0.1	—	— %
Total revenues	<u>\$ 105.6</u>	<u>\$ 88.8</u>	<u>\$ 16.8</u>	<u>18.9 %</u>

Maggiano's Total revenues increased 18.9% primarily due to higher dining and banquet room traffic and increased menu pricing. Refer to "Revenues" section above for further details about Maggiano's revenues changes.

The following is a summary of the changes in Maggiano's operating costs and expenses:

	Thirteen Week Periods Ended					
	September 28, 2022		September 29, 2021		Favorable (Unfavorable) Variance	
	Dollars	% of Company Sales	Dollars	% of Company Sales	Dollars	% of Company Sales
Food and beverage costs	\$ 28.6	27.1 %	\$ 20.9	23.6 %	\$ (7.7)	(3.5)%
Restaurant labor	36.2	34.3 %	31.4	35.4 %	(4.8)	1.1 %
Restaurant expenses	31.7	30.1 %	26.6	30.0 %	(5.1)	(0.1)%
Depreciation and amortization	3.2		3.4		0.2	
General and administrative	2.5		2.0		(0.5)	
Other (gains) and charges	0.5		0.2		(0.3)	

As a percentage of Company sales:

- Maggiano's Food and beverage costs increased 3.5%, including 4.6% of higher seafood and other commodity costs resulting from supply chain constraints and inflationary pressures, partially offset by 0.9% of increased menu pricing and 0.2% of favorable menu item mix.
- Maggiano's Restaurant labor decreased 1.1%, including 1.8% of sales leverage, 0.3% of lower manager bonus expenses and 0.2% of lower manager training, partially offset by 1.2% of higher manager salaries.
- Maggiano's Restaurant expenses increased 0.1%, driven by higher expenses including 0.8% of delivery fees, 0.6% of utilities, 0.5% of repairs and maintenance expenses, 0.3% of supervision expenses and 1.6% of other restaurant expenses, partially offset by 3.7% of sales leverage.

Liquidity and Capital Resources

Cash Flows

Cash Flows from Operating Activities

	Thirteen Week Periods Ended		
	September 28, 2022	September 29, 2021	Favorable (Unfavorable) Variance
Net cash provided by operating activities	\$ 24.6	\$ 40.2	\$ (15.6)

Net cash provided by operating activities decreased due to a decrease in net income, partially offset by a decrease in payments of performance based compensation and bonuses in the current year and the timing of operational receipts and payments.

Cash Flows from Investing Activities

	Thirteen Week Periods Ended		
	September 28, 2022	September 29, 2021	Favorable (Unfavorable) Variance
Cash flows from investing activities			
Payments for property and equipment	\$ (46.7)	\$ (37.3)	\$ (9.4)
Proceeds from note receivable	1.1	—	1.1
Payments for franchise restaurant acquisitions	—	(47.5)	47.5
Proceeds from sale leaseback transactions, net of related expenses	—	20.5	(20.5)
Net cash used in investing activities	\$ (45.6)	\$ (64.3)	\$ 18.7

Net cash used in investing activities decreased primarily due to \$47.5 million of cash consideration paid in the prior year for the purchase of 23 Chili's restaurants purchased from a former franchisee, partially offset by proceeds of

\$20.5 million received from the sale leaseback transactions on six of the acquired restaurants. Additionally, capital expenditures increased in fiscal 2023 primarily for the construction of new restaurants.

Cash Flows from Financing Activities

	Thirteen Week Periods Ended		Favorable (Unfavorable) Variance
	September 28, 2022	September 29, 2021	
Cash flows from financing activities			
Borrowings on revolving credit facility	\$ 135.0	\$ 285.0	\$ (150.0)
Payments on revolving credit facility	(100.0)	(205.0)	105.0
Payments on long-term debt	(5.8)	(5.5)	(0.3)
Purchases of treasury stock	(2.0)	(39.6)	37.6
Payments of dividends	(0.2)	(0.8)	0.6
Payments for debt issuance costs	—	(3.0)	3.0
Proceeds from issuance of treasury stock	0.0	0.3	(0.3)
Net cash provided by financing activities	<u>\$ 27.0</u>	<u>\$ 31.4</u>	<u>\$ (4.4)</u>

Net cash provided by financing activities decreased primarily due to \$35.0 million of net borrowing activity in fiscal 2023 compared to \$80.0 million of net borrowing activity in fiscal 2022 on the revolving credit facility, partially offset by a decrease in share repurchases in fiscal 2023.

Revolving Credit Facility

Net borrowings of \$35.0 million were drawn during the thirteen week period ended September 28, 2022 on the revolving credit facility. As of September 28, 2022, \$493.7 million of credit was available under the revolving credit facility.

The \$800.0 million revolving credit facility matures on August 18, 2026 and bears interest of LIBOR plus an applicable margin of 1.500% to 2.250% and an undrawn commitment fee of 0.250% to 0.350%, both based on a function of our debt-to-cash-flow ratio. As of September 28, 2022, our interest rate was 4.875% consisting of LIBOR of 3.125% plus the applicable margin of 1.750%.

As of September 28, 2022, we were in compliance with our covenants pursuant to the \$800.0 million revolving credit facility and under the terms of the indentures governing our 3.875% notes and 5.000% notes. Refer to Note 9 - Debt for further information about our notes and revolving credit facility.

Share Repurchase Program

Our share repurchase program is used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluate potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, borrowings and planned investment and financing needs. Repurchased shares are reflected as an increase in Treasury stock within Shareholders' deficit in the Consolidated Balance Sheets (Unaudited).

In August 2021, our Board of Directors reinstated our share repurchase program, allowing for a total available repurchase authority of \$300.0 million. In the thirteen week period ended September 28, 2022, we repurchased 0.1 million shares of our common stock for \$2.0 million, all of which were purchased from team members to satisfy tax withholding obligations on the vesting of restricted shares. As of September 28, 2022, approximately \$204.0 million was available under our share repurchase authorizations.

Dividend Program

In the fourth quarter of fiscal 2020, our Board of Directors voted to suspend the quarterly cash dividend in response to the liquidity needs created by the COVID-19 pandemic. In the thirteen week periods ended September 28, 2022 and September 29, 2021, dividends paid were solely related to the previously accrued dividends for restricted share

awards that were granted prior to the suspension and vested in the period. Restricted share award dividends are accrued in Other accrued liabilities for the current portion to vest within 12 months, and Other liabilities for the portion that will vest after one year.

Cash Flow Outlook

We believe that our various sources of capital, including future cash flow from operating activities and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations within the next year. We continue to serve guests at all of our locations through our dining rooms and off-premise offerings, and have resumed normal business operations in accordance with state and local mandates.

We are not aware of any other event or trend that would potentially materially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facility and from our internal cash generating capabilities to adequately manage our ongoing business.

Off-Balance Sheet Arrangements

We have entered into certain pre-commencement leases as disclosed in Note 8 - Leases and have obligations for guarantees on certain lease agreements and letters of credit as disclosed in Note 13 - Contingencies, in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report. Other than these items, we do not have any off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of the financial statements in conformity with GAAP requires us to make estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ from these estimates. Our critical accounting estimates have not changed materially from those previously reported in our Annual Report on Form 10-K for the fiscal year ended June 29, 2022.

Recent Accounting Pronouncements

The impact of recent accounting pronouncements can be found at Note 1 - Basis of Presentation in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our quantitative and qualitative market risks set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended June 29, 2022.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the thirteen week period ended September 28, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Information and statements contained in this Form 10-Q, in our other filings with the SEC or in our written and verbal communications 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. Forward-looking statements are generally accompanied by words like “believes,” “anticipates,” “estimates,” “predicts,” “expects,” “plans,” “intends,” “projects,” “continues” and other similar expressions that convey uncertainty about future events or outcomes. Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties which could cause actual results to differ materially from our historical results or from those projected in forward-looking statements. These risks and uncertainties are, in many instances, beyond our control. We wish to caution you against placing undue reliance on forward-looking statements because of these risks and uncertainties. Except as required by law, we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The forward-looking statements contained in this Form 10-Q report are subject to the risks and uncertainties described in Part I, Item IA “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 29, 2022, and below in Part II, Item 1A “Risk Factors” in this report on Form 10-Q, as well as the risks and uncertainties that generally apply to all businesses. We further caution that it is not possible to identify all risks and uncertainties, and you should not consider the identified factors as a complete list of all risks and uncertainties. Among the factors that could cause actual results to differ materially are: 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 and 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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 13 - Contingencies in the Notes to Consolidated Financial Statements (Unaudited) set forth in Part I, Item 1 of this Form 10-Q report.

ITEM 1A. RISK FACTORS

In addition to the other information in this Form 10-Q report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 29, 2022, which could materially affect our business, financial condition or results of operations. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business, financial condition or results of operations. Therefore, the risks identified are not intended to be a complete discussion of all potential risks or uncertainties.

During the thirteen week period ended September 28, 2022, there have been no material changes in the risk factors set forth in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 29, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In August 2021, our Board of Directors reinstated our share repurchase program, allowing for a total available repurchase authority of \$300.0 million.

During the thirteen week period ended September 28, 2022, we repurchased shares as follows (in millions, except per share amounts, unless otherwise noted):

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program ⁽²⁾
June 30, 2022 through August 3, 2022	—	\$ —	—	\$ 204.0
August 4, 2022 through August 31, 2022	0.1	27.47	—	204.0
September 1, 2022 through September 28, 2022	—	—	—	204.0
Total	<u>0.1</u>	<u>27.47</u>	<u>—</u>	

⁽¹⁾ These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company's shares on the date of vesting. During the thirteen week period ended September 28, 2022, 73,354 shares were tendered by team members at an average price of \$27.47.

⁽²⁾ The final amount shown is as of September 28, 2022.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description
3.1	Certificate of Incorporation of Registrant, as amended ⁽¹⁾
3.2	Bylaws of Registrant ⁽²⁾
10(a)	Registrant's Stock Option and Incentive Plan, as amended*
31(a)	Certification by Kevin D. Hochman, President and Chief Executive Officer of the Registrant and President of Chili's Grill & Bar, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a)*
31(b)	Certification by Joseph G. Taylor, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a – 14(a) or 17 CFR 240.15d – 14(a)*
32(a)	Certification by Kevin D. Hochman, President and Chief Executive Officer of the Registrant and President of Chili's Grill & Bar, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32(b)	Certification by Joseph G. Taylor, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase
104	The cover page from the Registrant's Quarterly Report on Form 10-Q for the thirteen week period ended September 28, 2022 is formatted in Inline XBRL.

* Filed herewith.

(1) Filed as an exhibit to Annual Report on Form 10-K for fiscal year ended June 28, 1995 and incorporated herein by reference.

(2) Filed as an exhibit to Annual Report on Form 10-K for fiscal year ended June 27, 2018 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

Date: November 2, 2022

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)

Date: November 2, 2022

By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**BRINKER INTERNATIONAL, INC.
STOCK OPTION AND INCENTIVE PLAN**

SECTION 1

GENERAL

1.1 Purpose. The Brinker International, Inc. Stock Option and Incentive Plan (the "Plan") has been established by Brinker International, Inc. (the "Company") (i) to attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Related Companies, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Employees, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 Operation, Administration and Definitions. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 8 of the Plan).

SECTION 2

OPTIONS AND SARs

2.1 Definitions.

- (a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code.
- (b) A stock appreciation right (a "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 Exercise Price. The "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted, except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock as of the Pricing Date. For purposes of the preceding sentence, the "Pricing Date" shall be the date on which the Option or SAR is granted.

2.3 Exercise. Options and SARs shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4 Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

- (a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).
- (b) The Exercise Price shall be payable in cash or by tendering shares of Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the day of exercise), or in any combination thereof, as determined by the Committee.
- (c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 Settlement of Award. Distribution following exercise of an Option or SAR, and shares of Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or a SAR as the Committee determines to be desirable.

SECTION 3 OTHER STOCK AWARDS

3.1 Definition. A Stock Award is a grant of shares of Stock or of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future. The grant of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future may be done in such form as the Committee determines, including, without limitation, performance shares or restricted stock units.

3.2 Restrictions on Stock Awards. Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of performance measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes, with the measurement based on absolute Company or business unit performance and/or on performance as compared with that of other publicly traded companies.

SECTION 4 OPERATION AND ADMINISTRATION

4.1 Effective Date. The Plan shall be effective as of September 3, 1998 (the "Effective Date"), shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 Shares Subject to Plan.

- (a)

- (i) Subject to the following provisions of this subsection 4.2, the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to the sum of: (1) 31,600,000 shares of Stock and (2) any shares of Stock that are represented by awards granted under any prior plan of the Company in which employees are eligible to participate (the "Prior Plans"), which are forfeited, expire or are canceled without delivery of shares of Stock or which result in the forfeiture of shares of Stock back to the Company.
 - (ii) Any shares of Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.
 - (iii) Shares of Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).
 - (iv) Notwithstanding the foregoing, the following shares of Stock shall not be available for issuance under the Plan:
 - (1) shares tendered by Participants as full or partial payment to the Company upon exercise of Options granted under the Plan;
 - (2) shares reserved for issuance for each SAR granted under the Plan, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of each such SAR; and
 - (3) shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on a Stock Award or the exercise of any Options or SARs granted under the Plan or upon any other payment or issuance of shares under the Plan.
- (b) Subject to paragraph 4.2(c), the following additional maximums are imposed under the Plan.
- (i) The maximum number of shares of Stock that may be issued by Options intended to be Incentive Stock Options shall be 31,600,000 shares.

- (ii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Stock Awards) shall equal the sum of: (1) 7,250,000 shares, and (2) the 816,145 shares previously issued in conjunction with Stock Awards during the time period prior to November 13, 2002. From and after November 7, 2013, the maximum number of shares of stock that may thereafter be issued in conjunction with Awards granted pursuant to Section 3 shall be equal to 3,000,000 shares. From and after November 15, 2018, all shares of Stock available to be delivered to Participants may be granted as Awards pursuant to Section 3.
 - (iii) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 500,000 shares for any fiscal year.
 - (iv) The maximum number of shares or units that can be made for Awards granted to any one individual pursuant to Section 3 (relating to Stock Awards) shall be 500,000 shares or units for any single or combined performance goals established for any fiscal year.
 - (v) The maximum time period for any Option or SAR to be exercised shall be 10 years from the date of grant.
- (c) Subject to the provisions of Section 6 hereof, in the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee shall adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the Exercise Price of outstanding Options and SARs as well as any other adjustments that the Committee determines to be equitable.

4.3 Limit on Distribution. Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

- (a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.
- (b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 Tax Withholding. Whenever the Company proposes or is required to distribute Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state and local tax withholding requirements prior to the delivery of any certificate for such shares or, in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

4.5 Payment Shares. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).

4.6 Dividends and Dividend Equivalents. An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Stock Award payment, subject to such rules and procedures as it may establish, which may include, without limitation, provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents, or rules and procedures intended to comply with Section 409(A) of the Code.

4.8 Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. However, in no event may Awards be transferred for monetary value or monetary consideration without the approval of the shareholders of the Company. Notwithstanding the foregoing, Options may be assigned or transferred by the Participant (a) to immediate family members of the Participant, or (b) to a trust in which the Participant or such family members have more than 50% of the beneficial interests, a foundation in which the Participant or such family members control the management of the foundation's assets, or any other entity in which the Participant or such family members own more than 50% of the voting interests.

4.9 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 Agreement With Company. At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

4.11 Limitation of Implied Rights.

- (a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.

- (b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any employee the right to be retained in the employ of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 Action by Company or Related Company. Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the company.

4.14 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.15 Compliance with Section 409(A) of the Code. To the extent applicable, it is intended that the Plan and any Awards granted hereunder are exempt from Section 409(A) of the Code or are structured in a manner that would not cause a Participant to be subject to taxes and interest pursuant to Section 409(A) of the Code. The Plan and any Awards granted hereunder shall be construed and interpreted in a manner consistent with such intent.

4.16 Minimum Vesting Requirement. Except in the case of death, disability, involuntary termination, Retirement or a Change in Control, in no event shall the vesting schedule of an Award provide that any portion of such Award will vest prior to the first anniversary of the grant date; provided, however, that up to an aggregate of 5% of the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan may be issued without regard to the foregoing requirements.

SECTION 5 COMMITTEE

5.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee (the "Committee") in accordance with this Section 5. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.2 Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

- (a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee deems relevant.
- (b) Reserved.

- (c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish terms and conditions of awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.
- (d) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.
- (e) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.
- (f) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted and is expressly stated in the Agreement reflecting the Award).
- (g) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.3 Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange and subject to the prior approval of the Board, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 Information to be Furnished to Committee. The Company and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. The records of the Company and Related Companies as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 6

ACCELERATION OF EXERCISABILITY AND VESTING UNDER CERTAIN CIRCUMSTANCES

Full or partial acceleration of vesting may occur in the event of death, disability, involuntary termination or Retirement. The Committee may accelerate vesting, in whole or in part, under such circumstances as the Committee deems appropriate.

Notwithstanding any provision in this Plan to the contrary, with regard to any Award of Options, SARs and Stock Awards to any Participant, unless the particular grant agreement provides otherwise, the Awards will not become immediately exercisable and vested in full upon the occurrence of a change in control (as defined below and in the applicable award agreements) unless the awards are not assumed or replaced with comparable awards by the acquiring entity or cease to remain outstanding immediately following the change in control.

The events below constitute a change in control ("Change in Control"):

- (a) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or
- (b) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or
- (c) the failure at any annual or special meetings of the Company's shareholders held during the three-year period following a "solicitation in opposition" as defined in Rule 14a-6 promulgated under the Exchange Act, of a majority of the persons nominated by the Company in the proxy material mailed to shareholders by the management of the Company to win election to seats on the Board (such majority calculated based upon the total number of persons nominated by the Company failing to win election to seats on the Board divided by the total number of Board members of the Board as of the beginning of such three year period), excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

SECTION 7 AMENDMENT AND TERMINATION

The Committee may, at any time, amend or terminate the Plan, provided that, subject to subsection 4.2 (relating to certain adjustments to shares) and Section 6 hereof (relating to immediate vesting upon certain events), no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Committee. Notwithstanding anything herein to the contrary, no amendment to the Plan may be adopted without the approval of the Company's shareholders that would (a) materially increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction), (b) change the types of Awards available under the Plan, (c) materially expand the class of persons eligible to receive Awards under or otherwise participate in the Plan, (d) materially extend the term of the Plan, (e) materially change the method of determining the strike price of options under the Plan, (f) permit repricing of an Option or SAR or a cash buyout of underwater Options or SARs, or (g) permit the grant of an Option or SAR for, or in connection with, the cancellation or surrender of an Option, SAR or Stock Award granted under the Plan having a higher option or exercise price.

SECTION 8 DEFINED TERMS

For purposes of the Plan, the terms listed below shall be defined as follows:

- (a) Award. The term "Award" shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, and Stock Awards.
- (b) Board. The term "Board" shall mean the Board of Directors of the Company.

- (c) Code. The term “Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations thereunder and any Department of Treasury and Internal Revenue Service interpretations thereof. A reference to any provision of the Code shall include reference to any successor provision of the Code.
- (d) Eligible Employee. The term “Eligible Employee” shall mean any employee of the Company or a Related Company.
- (e) Fair Market Value. For purposes of determining the “Fair Market Value” of a share of Stock, the following rules shall apply:
 - (i) If the Stock is at the time listed or admitted to trading on any stock exchange, then the “Fair Market Value” shall be the mean the closing price of the Stock on the date in question on the principal exchange on which the Stock is then listed or admitted to trading.
 - (ii) If the Stock is not at the time listed or admitted to trading on a stock exchange, the “Fair Market Value” shall be the mean between the lowest reported bid price and highest reported asked price of the Stock on the date in question in the over-the-counter market as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market.
 - (iii) If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the “Fair Market Value” shall be as determined in good faith by the Committee.
- (f) Exchange Act. The term “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (g) Related Companies. The term “Related Company” means any company during any period in which it is a “parent company” (as that term is defined in Code section 424(e)) with respect to the Company, or a “subsidiary corporation” (as that term is defined in Code section 424(f)) with respect to the Company.
- (h) Retirement. The term “Retirement” means that a Participant voluntarily resigns from the Company after meeting minimum requirements determined by the Committee, which requirements may include, among other things, satisfying a specified period of service with the Company, meeting minimum age requirements, providing minimum notice, or any combination of the foregoing.
- (i) Stock. The term “Stock” shall mean shares of common stock of the Company.

Amended as of October 17, 2022

CERTIFICATION

I, Kevin D. Hochman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

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)

CERTIFICATION

I, Joseph G. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

By: /S/ JOSEPH G. TAYLOR

Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 28, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

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)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the “Company”), hereby certifies that the Company’s Quarterly Report on Form 10-Q for the quarter ended September 28, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)