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 December 27, 2023**
**Commission File Number 1-10275**

# BRINKER INTERNATIONAL, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **DE** | **75-1914582** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3000 Olympus Blvd** **Dallas TX** | **75019** |
| (Address of principal executive offices) | (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 January 26, 2024: 44,227,124 shares

**BRINKER INTERNATIONAL, INC.**
**QUARTERLY REPORT ON FORM 10-Q**
**TABLE OF CONTENTS**

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

| | Thirteen Week Periods Ended | | Twenty-Six Week Periods Ended | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 |
| Revenues | | | | |
| Company sales | $ 1,063.7 | $ 1,009.4 | $ 2,065.7 | $ 1,955.5 |
| Franchise revenues | 10.4 | 9.6 | 20.9 | 19.0 |
| Total revenues | 1,074.1 | 1,019.0 | 2,086.6 | 1,974.5 |
| Operating costs and expenses | | | | |
| Food and beverage costs | 273.1 | 289.4 | 531.9 | 578.9 |
| Restaurant labor | 356.1 | 334.6 | 704.2 | 665.2 |
| Restaurant expenses | 294.7 | 268.4 | 585.5 | 537.2 |
| Depreciation and amortization | 41.3 | 41.8 | 83.2 | 83.7 |
| General and administrative | 43.2 | 35.6 | 85.6 | 75.1 |
| Other (gains) and charges | 3.3 | 8.5 | 9.6 | 13.5 |
| Total operating costs and expenses | 1,011.7 | 978.3 | 2,000.0 | 1,953.6 |
| Operating income | 62.4 | 40.7 | 86.6 | 20.9 |
| Interest expenses | 16.7 | 13.9 | 33.7 | 26.2 |
| Other income, net | (0.1) | (0.3) | (0.1) | (0.7) |
| Income (loss) before income taxes | 45.8 | 27.1 | 53.0 | (4.6) |
| Provision (benefit) for income taxes | 3.7 | (0.8) | 3.7 | (2.3) |
| Net income (loss) | $ 42.1 | $ 27.9 | $ 49.3 | $ (2.3) |
| | | | | |
| Basic net income (loss) per share | $ 0.95 | $ 0.63 | $ 1.11 | $ (0.05) |
| | | | | |
| Diluted net income (loss) per share | $ 0.94 | $ 0.62 | $ 1.09 | $ (0.05) |
| | | | | |
| Basic weighted average shares outstanding | 44.2 | 44.0 | 44.4 | 44.0 |
| | | | | |
| Diluted weighted average shares outstanding | 44.9 | 44.8 | 45.1 | 44.0 |
| | | | | |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustment | $ 0.2 | $ 0.1 | $ 0.0 | $ (0.9) |
| Comprehensive income (loss) | $ 42.3 | $ 28.0 | $ 49.3 | $ (3.2) |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

| | Unaudited December 27, 2023 | June 28, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 22.7 | $ 15.1 |
| Accounts receivable, net | 79.4 | 60.9 |
| Inventories | 34.3 | 34.5 |
| Restaurant supplies | 55.1 | 55.6 |
| Prepaid expenses | 19.7 | 17.2 |
| Income taxes receivable | 0.1 | — |
| Total current assets | 211.3 | 183.3 |
| Property and equipment, at cost | | |
| Land | 42.5 | 42.4 |
| Buildings and leasehold improvements | 1,665.9 | 1,635.7 |
| Furniture and equipment | 757.1 | 765.8 |
| Construction-in-progress | 33.5 | 30.1 |
| | 2,499.0 | 2,474.0 |
| Less accumulated depreciation and amortization | (1,680.2) | (1,665.7) |
| Net property and equipment | 818.8 | 808.3 |
| Other assets | | |
| Operating lease assets | 1,099.9 | 1,134.9 |
| Goodwill | 195.0 | 195.0 |
| Deferred income taxes, net | 101.7 | 93.4 |
| Intangibles, net | 22.1 | 23.9 |
| Other | 61.9 | 48.2 |
| Total other assets | 1,480.6 | 1,495.4 |
| Total assets | $ 2,510.7 | $ 2,487.0 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | |
| Current liabilities | | |
| Accounts payable | $ 148.9 | $ 125.7 |
| Gift card liability | 90.4 | 73.0 |
| Accrued payroll | 100.1 | 106.1 |
| Operating lease liabilities | 111.7 | 112.4 |
| Other accrued liabilities | 134.6 | 116.3 |
| Income taxes payable | 4.3 | 2.4 |
| Total current liabilities | 590.0 | 535.9 |
| Long-term debt and finance leases, less current installments | 882.4 | 912.2 |
| Long-term operating lease liabilities, less current portion | 1,087.6 | 1,125.8 |
| Other liabilities | 60.2 | 57.4 |
| Commitments and contingencies (Note 7) | | |
| Shareholders' deficit | | |
| Common stock (250.0 million authorized shares; $0.10 par value; 60.3 million shares issued; and 44.2 million shares outstanding at December 27, 2023 and 44.6 million shares outstanding at June 28, 2023) | 6.0 | 6.0 |
| Additional paid-in capital | 687.0 | 690.0 |
| Accumulated other comprehensive loss | (6.0) | (6.0) |
| Accumulated deficit | (302.6) | (351.9) |
| Treasury stock, at cost (16.1 million shares at December 27, 2023, and 15.7 million shares at June 28, 2023) | (493.9) | (482.4) |
| Total shareholders' deficit | (109.5) | (144.3) |
| Total liabilities and shareholders' deficit | $ 2,510.7 | $ 2,487.0 |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

| | Twenty-Six Week Periods Ended | |
|---|---|---|
| | **December 27, 2023** | **December 28, 2022** |
| Cash flows from operating activities | | |
| Net income (loss) | $ 49.3 | $ (2.3) |
| Adjustments to reconcile Net income (loss) to Net cash provided by operating activities: | | |
| Depreciation and amortization | 83.2 | 83.7 |
| Stock-based compensation | 10.1 | 5.9 |
| Deferred income taxes, net | (8.4) | (10.3) |
| Non-cash other (gains) and charges | 4.3 | 7.2 |
| Net loss on disposal of assets | 1.5 | 2.1 |
| Other | 1.3 | 0.9 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (20.2) | (28.4) |
| Inventories | — | (2.0) |
| Restaurant supplies | (0.2) | (0.4) |
| Prepaid expenses | (10.9) | (9.2) |
| Income taxes | 1.4 | 4.0 |
| Operating lease assets, net of liabilities | (3.9) | (1.5) |
| Other assets | (6.5) | (0.1) |
| Accounts payable | 19.4 | 5.0 |
| Gift card liability | 17.3 | 22.0 |
| Accrued payroll | (6.1) | (20.2) |
| Other accrued liabilities | 16.5 | 9.3 |
| Other liabilities | 2.2 | 2.3 |
| Net cash provided by operating activities | 150.3 | 68.0 |
| Cash flows from investing activities | | |
| Payments for property and equipment | (89.5) | (95.3) |
| Proceeds from note receivable | 1.3 | 2.1 |
| Proceeds from sale of assets | 0.7 | — |
| Insurance recoveries | 0.7 | — |
| Net cash used in investing activities | (86.8) | (93.2) |
| Cash flows from financing activities | | |
| Borrowings on revolving credit facility | 199.0 | 280.0 |
| Payments on revolving credit facility | (224.0) | (240.0) |
| Purchases of treasury stock | (25.1) | (2.1) |
| Payments on long-term debt | (5.6) | (11.3) |
| Payments for debt issuance costs | (0.7) | — |
| Proceeds from issuance of treasury stock | 0.5 | — |
| Payments of dividends | 0.0 | (0.2) |
| Net cash (used in) provided by financing activities | (55.9) | 26.4 |
| Net change in cash and cash equivalents | 7.6 | 1.2 |
| Cash and cash equivalents at beginning of period | 15.1 | 13.5 |
| Cash and cash equivalents at end of period | $ 22.7 | $ 14.7 |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid, net | $ 10.7 | $ 4.4 |
| Interest paid, net of amounts capitalized | 18.8 | 23.6 |
| Accrued capital expenditures | 16.0 | 17.9 |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

# BRINKER INTERNATIONAL, INC.
## Consolidated Statements of Shareholders' Deficit (Unaudited)
## (In millions)

| | Twenty-Six Week Period Ended December 27, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Treasury Stock | Accumulated Other Comprehensive Loss | Total |
| Balances at June 28, 2023 | $ 6.0 | $ 690.0 | $ (351.9) | $ (482.4) | $ (6.0) | $ (144.3) |
| Net income | — | — | 7.2 | — | — | 7.2 |
| Other comprehensive loss | — | — | — | — | (0.2) | (0.2) |
| Stock-based compensation | — | 5.7 | — | — | — | 5.7 |
| Purchases of treasury stock | — | (0.2) | — | (24.5) | — | (24.7) |
| Issuances of treasury stock | — | (11.7) | — | 11.7 | — | — |
| Balances at September 27, 2023 | $ 6.0 | $ 683.8 | $ (344.7) | $ (495.2) | $ (6.2) | $ (156.3) |
| Net income | — | — | 42.1 | — | — | 42.1 |
| Other comprehensive income | — | — | — | — | 0.2 | 0.2 |
| Stock-based compensation | — | 4.4 | — | — | — | 4.4 |
| Purchases of treasury stock | — | (0.1) | — | (0.3) | — | (0.4) |
| Issuances of treasury stock | — | (1.1) | — | 1.6 | — | 0.5 |
| Balances at December 27, 2023 | $ 6.0 | $ 687.0 | $ (302.6) | $ (493.9) | $ (6.0) | $ (109.5) |

| | Twenty-Six Week Period Ended December 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) |
| 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 stock | (1.0) | — | (306.1) | 307.1 | — | — |
| Balances at September 28, 2022 | $ 6.0 | $ 688.0 | $ (484.7) | $ (499.6) | $ (6.3) | $ (296.6) |
| Net income | — | — | 27.9 | — | — | 27.9 |
| Other comprehensive income | — | — | — | — | 0.1 | 0.1 |
| Stock-based compensation | — | 1.2 | — | — | — | 1.2 |
| Purchases of treasury stock | — | 0.0 | — | (0.1) | — | (0.1) |
| Issuances of treasury stock | — | (0.5) | — | 0.5 | — | — |
| Balances at December 28, 2022 | $ 6.0 | $ 688.7 | $ (456.8) | $ (499.2) | $ (6.2) | $ (267.5) |

See accompanying Notes to Consolidated Financial Statements (Unaudited)

# BRINKER INTERNATIONAL, INC.
## Notes to Consolidated Financial Statements (Unaudited)
## Footnote Index

## 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 December 27, 2023 and June 28, 2023, and for the thirteen and twenty-six week periods ended December 27, 2023 and December 28, 2022, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC").

The Company is 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 of December 27, 2023, we owned, operated or franchised 1,658 restaurants, consisting of 1,184 Company-owned restaurants and 474 franchised restaurants, located in the United States, 29 other 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 28, 2023 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 the Consolidated Statements of Comprehensive Income (Loss) (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 income (loss) 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).

### New Accounting Standards Implemented in Fiscal 2024

We reviewed accounting pronouncements that became effective for our fiscal 2024 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 28, 2023 and December 27, 2023:

| | Deferred Franchise and Development Fees |
|---|---|
| Balance as of June 28, 2023 | $ 11.1 |
| Additions | 0.2 |
| Amount recognized to Franchise revenues | (0.8) |
| Balance as of December 27, 2023 | $ 10.5 |

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 December 27, 2023:

| Fiscal Year | Franchise and Development Fees Revenue Recognition |
|---|---|
| Remainder of 2024 | $ 0.4 |
| 2025 | 0.9 |
| 2026 | 0.8 |
| 2027 | 0.8 |
| 2028 | 0.7 |
| Thereafter | 6.9 |
| | $ 10.5 |

### 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 28, 2023 and December 27, 2023:

| | Gift Card Liability |
|---|---|
| Balance as of June 28, 2023 | $ 73.0 |
| Gift card sales | 75.7 |
| Gift card redemptions recognized to Company sales | (50.3) |
| Gift card breakage recognized to Company sales | (6.8) |
| Other | (1.2) |
| Balance as of December 27, 2023 | $ 90.4 |

## 3. FAIR VALUE MEASUREMENTS

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

| | |
|---|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than quoted prices in active markets for identical assets or liabilities |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data |

### 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.

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 5.000% and 8.250% notes are based on quoted market prices and are considered Level 2 fair value measurements.

The 5.000% notes and 8.250% notes carrying amounts, which are net of unamortized debt issuance costs and discounts, and fair values are as follows:

| | December 27, 2023 | | June 28, 2023 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| 5.000% notes | $ 349.4 | $ 347.7 | $ 349.0 | $ 343.5 |
| 8.250% notes | 344.8 | 364.4 | 344.3 | 348.3 |

### Non-Financial Assets

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. The fair values of other non-financial assets are determined based on appraisals, sales prices of comparable assets or estimates of discounted cash flow and are categorized as Level 3.

We review the carrying amounts of non-financial assets, primarily long-lived property and equipment, finance lease assets, operating lease assets, reacquired franchise rights, goodwill 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. Any impairment charges are included in Other (gains) and charges in the Consolidated Statements of Comprehensive Income (Loss) (Unaudited). During the thirteen and twenty-six week periods ended December 27, 2023 and December 28, 2022, no indicators of impairment were identified.

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. Accumulated amortization associated with definite-lived intangible assets at December 27, 2023 and June 28, 2023, was $15.7 million and $15.3 million, respectively.

## 4. ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

| | December 27, 2023 | June 28, 2023 |
|---|---|---|
| Insurance | $ 28.9 | $ 29.3 |
| Property tax | 25.9 | 24.5 |
| Interest | 19.9 | 6.4 |
| Sales tax | 18.3 | 17.3 |
| Current installments of finance lease obligations | 10.6 | 10.2 |
| Utilities and services | 10.5 | 10.4 |
| Other | 20.5 | 18.2 |
| | $ 134.6 | $ 116.3 |

## 5. 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.

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

| | Thirteen Week Periods Ended | | Twenty-Six Week Periods Ended | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 |
| Operating lease cost | $ 45.6 | $ 45.1 | $ 91.2 | $ 90.2 |
| Variable lease cost | 15.5 | 15.2 | 31.1 | 30.8 |
| Finance lease amortization | 2.6 | 4.9 | 5.8 | 10.1 |
| Finance lease interest | 0.9 | 1.0 | 1.8 | 2.1 |
| Short-term lease cost | 0.0 | 0.1 | 0.1 | 0.2 |
| Sublease income | (0.4) | (0.6) | (0.8) | (1.5) |
| Total lease costs, net | $ 64.2 | $ 65.7 | $ 129.2 | $ 131.9 |

Supplemental cash flow information related to leases:

| | Twenty-Six Week Periods Ended | |
|---|---|---|
| | December 27, 2023 | December 28, 2022 |
| Operating lease assets obtained in exchange for operating lease liabilities | $ 21.3 | $ 45.5 |
| Finance leases assets obtained in exchange for finance lease liabilities | 0.1 | 0.2 |

Finance lease assets are recorded in Property and equipment, at cost, and the net balance as of December 27, 2023 and June 28, 2023 was $45.9 million and $51.3 million, respectively.

## 6. DEBT

Long-term debt consists of the following:

| | December 27, 2023 | June 28, 2023 |
|---|---|---|
| Revolving credit facility | $ 136.3 | $ 161.3 |
| 5.000% notes[1] | 350.0 | 350.0 |
| 8.250% notes | 350.0 | 350.0 |
| Finance lease obligations | 62.6 | 67.8 |
| Total long-term debt | 898.9 | 929.1 |
| Less: unamortized debt issuance costs and discounts | (5.9) | (6.7) |
| Total long-term debt, less unamortized debt issuance costs and discounts | 893.0 | 922.4 |
| Less: current installments of long-term debt and finance leases[2] | (10.6) | (10.2) |
| Total long-term debt, less current portion | $ 882.4 | $ 912.2 |

(1) Obligations under our 5.000% notes, which will mature in October 2024, 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 4 - Accrued Liabilities for further details.

### Revolving Credit Facility

In the twenty-six week period ended December 27, 2023, net repayments of $25.0 million were made on our revolving credit facility. As of December 27, 2023, $763.7 million of credit was available under the revolving credit facility.

The $900.0 million revolving credit facility matures on August 18, 2026 and bears interest of SOFR plus an applicable margin of 1.50% to 2.25% and an undrawn commitment fee of 0.25% to 0.35%, both based on a function of our debt-to-cash-flow ratio. As of December 27, 2023, our interest rate was 7.21% consisting of SOFR of 5.36% plus the applicable margin and spread adjustment of 1.85%.

### Financial Covenants

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage ratios. As of December 27, 2023, we were in compliance with our covenants pursuant to the $900.0 million revolving credit facility and under the terms of the indentures governing our 5.000% and 8.250% notes.

## 7. 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 December 27, 2023 and June 28, 2023, we have outstanding lease guarantees or are secondarily liable for an estimated $13.5 million and $16.9 million, respectively. These amounts represent the maximum known potential liability of rent payments under the leases, but outstanding rent payments can exist outside of our knowledge as a result of the landlord and tenant relationship being between two third parties. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2024 through fiscal 2029.

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 an 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. In the twenty-six week period ended December 27, 2023 we recorded a $0.5 million charge in Other (gains) and charges in the Consolidated Statements of Comprehensive Income.

### Letters of Credit

We provide letters of credit to various insurers to collateralize obligations for outstanding claims. As of December 27, 2023, 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.

On December 13, 2023, we filed a petition for writ of certiorari in the United States Supreme Court seeking review of the 11$^{th}$ Circuit's decision to uphold the plaintiff's damages calculation methodology. We also sought further stay of the district court proceedings pending final adjudication of our petition and await the court's ruling on such request. We believe we have defenses and intend to continue defending the Litigation. As such, as of December 27, 2023, 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.

## 8. INCOME TAXES

| | Twenty-Six Week Periods Ended | |
|---|---|---|
| | December 27, 2023 | December 28, 2022 |
| Effective income tax rate | 7.0 % | 50.0 % |

The federal statutory tax rate was 21.0% for the twenty-six week periods ended December 27, 2023 and December 28, 2022.

The change in the effective income tax rate in the twenty-six week period ended December 27, 2023 to the twenty-six week period ended December 28, 2022 is primarily due to a less favorable impact from the FICA tip tax credit against higher Income before income taxes.

## 9. SHAREHOLDERS' DEFICIT

### Retirement of Common Stock

During the first quarter of fiscal 2023, 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 December 27, 2023, 16.1 million shares remain in treasury.

### Share Repurchases

Our Board of Directors approved a $300.0 million share repurchase program during fiscal 2022. 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.

In the twenty-six week period ended December 27, 2023, we repurchased 0.8 million shares of our common stock for $25.1 million, including 0.7 million shares purchased for $21.0 million as part of our share repurchase program and 0.1 million shares purchased from team members to satisfy tax withholding obligations on the vesting of restricted shares. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan. As of December 27, 2023, approximately $183.0 million of share repurchase authorization remains under the current share repurchase program.

### Stock-based Compensation

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

| | Twenty-Six Week Periods Ended | |
|---|---|---|
| | December 27, 2023 | December 28, 2022 |
| Restricted share awards | | |
| Restricted share awards granted | 0.6 | 0.7 |
| Weighted average fair value per share | $ 33.44 | $ 29.48 |

## 10. NET INCOME PER SHARE

Basic net income (loss) per share is computed by dividing Net income (loss) by the Basic weighted average shares outstanding for the reporting period. Diluted net income (loss) 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 income (loss) 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 income (loss) per share calculation. Basic weighted average shares outstanding are reconciled to Diluted weighted average shares outstanding as follows:

| | Thirteen Week Periods Ended | | Twenty-Six Week Periods Ended | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 |
| Basic weighted average shares outstanding | 44.2 | 44.0 | 44.4 | 44.0 |
| Dilutive stock options[(1)] | 0.0 | 0.0 | 0.0 | — |
| Dilutive restricted shares[(1)] | 0.7 | 0.8 | 0.7 | — |
| Total dilutive impact | 0.7 | 0.8 | 0.7 | — |
| Diluted weighted average shares outstanding | 44.9 | 44.8 | 45.1 | 44.0 |
| | | | | |
| Awards excluded due to anti-dilutive effect | 0.8 | 1.4 | 0.8 | 2.8 |

(1) Due to the net loss for the twenty-six week period ended December 28, 2022, zero incremental shares are included because the effect would be anti-dilutive.

## 11. OTHER GAINS AND CHARGES

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

| | Thirteen Week Periods Ended | | Twenty-Six Week Periods Ended | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 |
| Enterprise system implementation costs | $ 2.1 | $ 1.0 | $ 4.1 | $ 2.0 |
| Litigation & claims, net | 1.0 | 0.3 | 3.2 | 0.8 |
| Restaurant closure asset write-offs and charges | 0.2 | 3.3 | 0.8 | 4.8 |
| Lease contingencies | — | — | 0.5 | — |
| Remodel-related asset write-offs | 0.1 | 0.2 | 0.3 | 1.0 |
| Loss from natural disasters, net of (insurance recoveries) | (0.6) | 1.1 | (0.4) | 0.9 |
| Gain on the disposition of restaurants | (0.4) | — | (0.4) | — |
| Other | 0.9 | 2.6 | 1.5 | 4.0 |
| | $ 3.3 | $ 8.5 | $ 9.6 | $ 13.5 |

- *Enterprise system implementation costs* primarily consists of software subscription fees, certain consulting fees, and contract labor associated with the ongoing enterprise system implementation that are not capitalized.
- *Litigation & claims, net* primarily relates to legal contingencies and claims on alcohol service cases.
- *Restaurant closure asset write-offs and charges* includes costs associated with the closure of certain Chili's restaurants in the current year and both Chili's and Maggiano's restaurants in the prior year.
- *Lease contingencies* includes expenses related to certain sublease receivables for divested brands when we have determined it is probable that the current lessee will default on the lease obligation. Refer to Note 7 - Contingencies for additional information about our secondarily liable lease guarantees.
- *Remodel-related asset write-offs* relates to assets that are removed or discarded in connection with Maggiano's and Chili's remodel projects.
- *Loss from natural disasters, net of (insurance recoveries)* primarily relates to the receipt of insurance proceeds for the Hurricane Ida claim in the current year and to costs incurred related to Hurricane Ian & Winter Storm in the prior year.
- *Gain on the disposition of restaurants* relates to the net proceeds from the sale of a Canada Company-owned restaurant.

## 12. 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, 29 other 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 Corporate 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 Corporate 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, digital entertainment revenues, merchandise income and are net of gift card discounts 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 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 include restaurant rent, repairs and maintenance, delivery fees and to-go supplies, utilities, advertising, supplies, payment processing fees, franchise and property taxes, workers' compensation and general liability insurance and supervision expenses.

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

| | Thirteen Week Period Ended December 27, 2023 | | | |
|---|---|---|---|---|
| | Chili's | Maggiano's | Corporate | Consolidated |
| Company sales | $ 916.9 | $ 146.8 | $ — | $ 1,063.7 |
| Franchise revenues | 10.3 | 0.1 | — | 10.4 |
| Total revenues | 927.2 | 146.9 | — | 1,074.1 |
| | | | | |
| Food and beverage costs | 239.2 | 33.9 | — | 273.1 |
| Restaurant labor | 313.0 | 43.1 | — | 356.1 |
| Restaurant expenses | 258.3 | 36.2 | 0.2 | 294.7 |
| Depreciation and amortization | 35.5 | 3.2 | 2.6 | 41.3 |
| General and administrative | 10.2 | 2.1 | 30.9 | 43.2 |
| Other (gains) and charges | 0.9 | 0.2 | 2.2 | 3.3 |
| Total operating costs and expenses | 857.1 | 118.7 | 35.9 | 1,011.7 |
| Operating income (loss) | 70.1 | 28.2 | (35.9) | 62.4 |
| Interest expenses | 0.9 | — | 15.8 | 16.7 |
| Other income, net | (0.1) | — | — | (0.1) |
| Income (loss) before income taxes | $ 69.3 | $ 28.2 | $ (51.7) | $ 45.8 |

| | Thirteen Week Period Ended December 28, 2022 | | | |
|---|---|---|---|---|
| | Chili's | Maggiano's | Corporate | Consolidated |
| Company sales | $ 869.3 | $ 140.1 | $ — | $ 1,009.4 |
| Franchise revenues | 9.4 | 0.2 | — | 9.6 |
| Total revenues | 878.7 | 140.3 | — | 1,019.0 |
| | | | | |
| Food and beverage costs | 253.7 | 35.7 | — | 289.4 |
| Restaurant labor | 292.3 | 42.3 | — | 334.6 |
| Restaurant expenses | 234.1 | 34.2 | 0.1 | 268.4 |
| Depreciation and amortization | 36.0 | 3.3 | 2.5 | 41.8 |
| General and administrative | 8.5 | 1.5 | 25.6 | 35.6 |
| Other (gains) and charges | 5.7 | 0.3 | 2.5 | 8.5 |
| Total operating costs and expenses | 830.3 | 117.3 | 30.7 | 978.3 |
| Operating income (loss) | 48.4 | 23.0 | (30.7) | 40.7 |
| Interest expenses | 0.9 | 0.1 | 12.9 | 13.9 |
| Other income, net | — | — | (0.3) | (0.3) |
| Income (loss) before income taxes | $ 47.5 | $ 22.9 | $ (43.3) | $ 27.1 |

| | Twenty-Six Week Period Ended December 27, 2023 | | | |
|---|---|---|---|---|
| | Chili's | Maggiano's | Corporate | Consolidated |
| Company sales | $ 1,814.7 | $ 251.0 | $ — | $ 2,065.7 |
| Franchise revenues | 20.6 | 0.3 | — | 20.9 |
| Total revenues | 1,835.3 | 251.3 | — | 2,086.6 |
| | | | | |
| Food and beverage costs | 472.3 | 59.6 | — | 531.9 |
| Restaurant labor | 624.0 | 80.2 | — | 704.2 |
| Restaurant expenses | 516.8 | 68.4 | 0.3 | 585.5 |
| Depreciation and amortization | 71.7 | 6.4 | 5.1 | 83.2 |
| General and administrative | 20.2 | 4.5 | 60.9 | 85.6 |
| Other (gains) and charges | 4.6 | 0.4 | 4.6 | 9.6 |
| Total operating costs and expenses | 1,709.6 | 219.5 | 70.9 | 2,000.0 |
| Operating income (loss) | 125.7 | 31.8 | (70.9) | 86.6 |
| Interest expenses | 1.7 | 0.1 | 31.9 | 33.7 |
| Other income, net | (0.1) | — | — | (0.1) |
| Income (loss) before income taxes | $ 124.1 | $ 31.7 | $ (102.8) | $ 53.0 |
| | | | | |
| Segment assets | $ 2,052.5 | $ 246.6 | $ 211.6 | $ 2,510.7 |
| Payments for property and equipment | 74.6 | 9.4 | 5.5 | 89.5 |

| | Twenty-Six Week Period Ended December 28, 2022 | | | |
|---|---|---|---|---|
| | Chili's | Maggiano's | Corporate | Consolidated |
| Company sales | $ 1,709.9 | $ 245.6 | $ — | $ 1,955.5 |
| Franchise revenues | 18.7 | 0.3 | — | 19.0 |
| Total revenues | 1,728.6 | 245.9 | — | 1,974.5 |
| | | | | |
| Food and beverage costs | 514.6 | 64.3 | — | 578.9 |
| Restaurant labor | 586.7 | 78.5 | — | 665.2 |
| Restaurant expenses | 471.0 | 65.9 | 0.3 | 537.2 |
| Depreciation and amortization | 72.0 | 6.5 | 5.2 | 83.7 |
| General and administrative | 18.0 | 4.0 | 53.1 | 75.1 |
| Other (gains) and charges | 8.7 | 0.8 | 4.0 | 13.5 |
| Total operating costs and expenses | 1,671.0 | 220.0 | 62.6 | 1,953.6 |
| Operating income (loss) | 57.6 | 25.9 | (62.6) | 20.9 |
| Interest expenses | 1.9 | 0.2 | 24.1 | 26.2 |
| Other income, net | — | — | (0.7) | (0.7) |
| Income (loss) before income taxes | $ 55.7 | $ 25.7 | $ (86.0) | $ (4.6) |
| | | | | |
| Payments for property and equipment | $ 85.1 | $ 6.1 | $ 4.1 | $ 95.3 |

## 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 and twenty-six week periods ended December 27, 2023 and December 28, 2022, 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

The Company is 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 of December 27, 2023, we owned, operated or franchised 1,658 restaurants, consisting of 1,184 Company-owned restaurants and 474 franchised restaurants, located in the United States, 29 other countries and two United States territories. Our restaurant brands, Chili's and Maggiano's, are both operating segments and reporting units.

***External Impacts to Our Operating Environment***

Our operating results were impacted by geopolitical and other macroeconomic events, leading to higher than usual inflation on wages and food and beverage costs during fiscal 2023 and to a lesser extent during the first and second quarters of fiscal 2024.

***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 great food and quality service so that they return to our restaurants.

*Chili's* - Our strategy is to make everyone feel special through a fun atmosphere, delicious food and drinks and our Chili's hospitality. We are making work at Chili's easier, more fun and more rewarding for our team members so that they are more engaged and provide a better experience for our guests. One way we have done this is by eliminating tasks that were unnecessary and did not add value to our guests. We have also simplified our menu to focus on core equities we believe can help grow sales—burgers, fajitas, Chicken Crispers®, and margaritas, as well as other classic favorites. Our team members can make our core menu items better and more consistently because we have fewer menu items that need to be perfected.

We have a flexible platform of value offerings at both lunch and dinner that we believe is compelling to our guests. Our "3 for Me" platform, a flexible value bundle provides our guests an unbeatable everyday value, while allowing us to be more flexible in terms of pricing, in light of the inflationary challenges. 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.

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. Our servers use handheld tablets to place orders for our guests, increasing the efficiency of our team members and allowing orders to reach our kitchen quicker for better service to our guests. Third-party delivery orders for our restaurants are sent directly into our point of sale system, creating efficiencies and a system that allows us to better serve our guests. The operating results for our virtual brand, It's Just Wings®, are included in the results of our Chili's brand, based on the restaurants that prepared and processed the food orders.

*Maggiano's* - At Maggiano's, we are focused on making our guests feel special. This warm and generous hospitality creates an environment where guests come together to celebrate birthdays, weddings and many more special occasions. While our dining rooms support the majority of our business, we have focused on increasing our carry-out and delivery business in recent years, including through partnerships with delivery service providers that have made our restaurants more accessible to guests and helped create an additional significant revenue channel. Our restaurants also have banquet rooms to host large party events and we have begun to renovate these banquet rooms in certain restaurants to provide a better experience for this profitable revenue channel, particularly during the holiday season in the second and third quarters of the fiscal year.

*Franchise Partnerships* - Our franchisees continue to grow our brands around the world, opening 14 restaurants and two new development agreements for the twenty-six week period ended December 27, 2023. We plan to strategically pursue expansion of Chili's internationally through development agreements with new and existing franchise partners.

*Company Development* - The following table details the number of restaurant openings during the thirteen and twenty-six week periods ended December 27, 2023 and December 28, 2022, respectively, total full year projected openings in fiscal 2024 and the total restaurants open at each period end:

| | Openings During the Thirteen Week Periods Ended | | Openings During the Twenty-Six Week Periods Ended | | Full Year Projected Openings | Total Open Restaurants at | |
|---|---|---|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 | Fiscal 2024 | December 27, 2023 | December 28, 2022 |
| Company-owned restaurants | | | | | | | |
| Chili's domestic | 5 | 4 | 5 | 4 | 10 | 1,130 | 1,126 |
| Chili's international | — | — | — | — | — | 4 | 5 |
| Maggiano's domestic | — | — | — | — | — | 50 | 51 |
| Total Company-owned | 5 | 4 | 5 | 4 | 10 | 1,184 | 1,182 |
| Franchise restaurants | | | | | | | |
| Chili's domestic | — | — | — | 1 | 0-1 | 100 | 101 |
| Chili's international | 11 | 6 | 14 | 8 | 19-24 | 372 | 363 |
| Maggiano's domestic | — | — | — | — | — | 2 | 2 |
| Total franchise | 11 | 6 | 14 | 9 | 19-25 | 474 | 466 |
| Total restaurants | | | | | | | |
| Chili's domestic | 5 | 4 | 5 | 5 | 10-11 | 1,230 | 1,227 |
| Chili's international | 11 | 6 | 14 | 8 | 19-24 | 376 | 368 |
| Maggiano's domestic | — | — | — | — | — | 52 | 53 |
| Total | 16 | 10 | 19 | 13 | 29-35 | 1,658 | 1,648 |

At December 27, 2023, we own property for 50 of the 1,184 Company-owned restaurants and one closed restaurant. The net book values associated with these restaurants included land of $42.5 million and buildings of $11.7 million.

## Revenues

***Thirteen and Twenty-Six Week Periods Ended December 27, 2023 compared to December 28, 2022***

Revenues are presented in two separate captions in the Consolidated Statements of Comprehensive Income (Loss) (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, digital entertainment revenues, merchandise income and are net of gift card discounts 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 December 28, 2022 | $ 878.7 | $ 140.3 | $ 1,019.0 |
| Change from: | | | |
| Comparable restaurant sales | 43.5 | 9.0 | 52.5 |
| Restaurant openings | 12.3 | — | 12.3 |
| Gift card discounts | 0.1 | 0.1 | 0.2 |
| Maggiano's banquet income | — | 0.1 | 0.1 |
| Delivery service fee income | (0.1) | 0.2 | 0.1 |
| Gift card breakage | — | (0.1) | (0.1) |
| Digital entertainment revenues | (0.3) | — | (0.3) |
| Restaurant closures | (7.9) | (2.6) | (10.5) |
| Company sales | 47.6 | 6.7 | 54.3 |
| Franchise revenues(1) | 0.9 | (0.1) | 0.8 |
| Thirteen Week Period Ended December 27, 2023 | $ 927.2 | $ 146.9 | $ 1,074.1 |

| | Total Revenues | | |
|---|---|---|---|
| | Chili's | Maggiano's | Total Revenues |
| Twenty-Six Week Period Ended December 28, 2022 | $ 1,728.6 | $ 245.9 | $ 1,974.5 |
| Change from: | | | |
| Comparable restaurant sales | 94.2 | 11.6 | 105.8 |
| Restaurant openings | 25.4 | — | 25.4 |
| Restaurant acquisitions | 0.6 | — | 0.6 |
| Maggiano's banquet income | — | 0.1 | 0.1 |
| Gift card discounts | — | 0.1 | 0.1 |
| Gift card breakage | 0.2 | (0.1) | 0.1 |
| Digital entertainment revenues | (0.2) | — | (0.2) |
| Delivery service fee income | (0.4) | 0.2 | (0.2) |
| Restaurant closures | (15.0) | (6.5) | (21.5) |
| Company sales | 104.8 | 5.4 | 110.2 |
| Franchise revenues(1) | 1.9 | — | 1.9 |
| Twenty-Six Week Period Ended December 27, 2023 | $ 1,835.3 | $ 251.3 | $ 2,086.6 |

(1) Franchise revenues increased in the thirteen and twenty-six week periods ended December 27, 2023 compared to December 28, 2022 primarily because of higher franchise advertising fees. Our Chili's and Maggiano's franchisees generated sales of approximately \$216.9 million and \$2.8 million and \$426.2 million and \$5.6 million, respectively, for the thirteen and twenty-six week periods ended December 27, 2023 compared to \$213.4 million and \$2.6 million and \$419.0 million and \$5.0 million, respectively, in for the thirteen and twenty-six week periods ended December 28, 2022.

The table below presents the percentage change in comparable restaurant sales and restaurant capacity for the thirteen and twenty-six week periods ended December 27, 2023 compared to December 28, 2022:

| | Percentage Change in the Thirteen Week Period Ended December 27, 2023 versus December 28, 2022 | | | | |
|---|---|---|---|---|---|
| | Comparable Restaurant Sales[(1)] | Price Impact | Mix-Shift Impact[(2)] | Traffic Impact | Restaurant Capacity[(3)] |
| Company-owned | 5.2 % | 7.1 % | (0.8)% | (1.1)% | (0.2)% |
| Chili's | 5.0 % | 6.6 % | (1.0)% | (0.6)% | (0.1)% |
| Maggiano's | 6.7 % | 10.5 % | 0.4 % | (4.2)% | (2.0)% |
| Franchise[(4)] | 0.3 % | | | | |
| U.S. | 6.4 % | | | | |
| International | (2.7)% | | | | |
| Chili's domestic[(5)] | 5.1 % | | | | |
| System-wide[(6)] | 4.4 % | | | | |

| | Percentage Change in the Twenty-Six Week Period Ended December 27, 2023 versus December 28, 2022 | | | | |
|---|---|---|---|---|---|
| | Comparable Restaurant Sales[(1)] | Price Impact | Mix-Shift Impact[(2)] | Traffic Impact | Restaurant Capacity[(3)] |
| Company-owned | 5.5 % | 8.0 % | 1.0 % | (3.5)% | (0.3)% |
| Chili's | 5.5 % | 7.7 % | 1.1 % | (3.3)% | (0.1)% |
| Maggiano's | 5.0 % | 10.0 % | (0.1)% | (4.9)% | (2.9)% |
| Franchise[(4)] | 2.0 % | | | | |
| U.S. | 5.7 % | | | | |
| International | 0.0 % | | | | |
| Chili's domestic[(5)] | 5.5 % | | | | |
| System-wide[(6)] | 4.9 % | | | | |

(1) Comparable Restaurant Sales include all restaurants that have been in operation for more than 18 full 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.

(4) Franchise sales generated by franchisees are not included in Total revenues in the Consolidated Statements of Comprehensive Income (Loss) (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 December 27, 2023 compared to December 28, 2022***

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

| | Thirteen Week Periods Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 273.1 | 25.7 % | $ 289.4 | 28.7 % | $ 16.3 | 3.0 % |
| Restaurant labor | 356.1 | 33.5 % | 334.6 | 33.1 % | (21.5) | (0.4)% |
| Restaurant expenses | 294.7 | 27.7 % | 268.4 | 26.6 % | (26.3) | (1.1)% |
| Depreciation and amortization | 41.3 | | 41.8 | | 0.5 | |
| General and administrative | 43.2 | | 35.6 | | (7.6) | |
| Other (gains) and charges | 3.3 | | 8.5 | | 5.2 | |
| Interest expenses | 16.7 | | 13.9 | | (2.8) | |
| Other income, net | (0.1) | | (0.3) | | (0.2) | |

As a percentage of Company sales:

- *Food and beverage costs* were favorable 3.0%, due to 1.9% from increased menu pricing, 0.8% of favorable commodity costs driven primarily by lower poultry and produce costs, partially offset by higher beverage costs, and 0.3% of favorable menu item mix.
- *Restaurant labor* was unfavorable 0.4%, due to 1.4% of higher hourly labor expenses driven by increased wage rates and staffing levels, and 0.6% of higher manager salaries, partially offset by 1.6% of sales leverage.
- *Restaurant expenses* were unfavorable 1.1%, due to 2.2% of higher advertising, 0.5% of higher repairs and maintenance, 0.2% of higher rent, and 0.2% of higher other restaurant expenses, partially offset by 1.0% of sales leverage and 1.0% of lower delivery fees and to-go supplies.

Depreciation and amortization decreased $0.5 million as follows:

| | Depreciation and Amortization |
|---|---|
| Thirteen Week Period Ended December 28, 2022 | $ 41.8 |
| Change from: | |
| Additions for new and existing restaurant assets | 6.3 |
| Corporate assets | 0.8 |
| Finance leases | (2.3) |
| Retirements and fully depreciated restaurant assets | (5.3) |
| Thirteen Week Period Ended December 27, 2023 | $ 41.3 |

General and administrative expenses increased $7.6 million as follows:

| | | General and Administrative |
|---|---|---|
| Thirteen Week Period Ended December 28, 2022 | $ | 35.6 |
| Change from: | | |
| Stock-based compensation[1] | | 3.4 |
| Performance-based compensation | | 2.0 |
| Corporate technology initiatives | | 1.0 |
| Training | | 0.6 |
| Payroll expenses | | 0.4 |
| Recruiting | | (0.4) |
| Other | | 0.6 |
| Thirteen Week Period Ended December 27, 2023 | $ | 43.2 |

(1) Stock-based compensation increased compared to the prior year primarily due to the impact of reversing expense associated with a performance share award in the second quarter of fiscal 2023, when we determined the performance target was not achievable.

Other (gains) and charges consisted of the following (for further details, refer to Note 11 - Other Gains and Charges):

| | Thirteen Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | |
| Enterprise system implementation costs | $ | 2.1 | $ | 1.0 |
| Litigation & claims, net | | 1.0 | | 0.3 |
| Restaurant closure asset write-offs and charges | | 0.2 | | 3.3 |
| Remodel-related asset write-offs | | 0.1 | | 0.2 |
| Loss from natural disasters, net of (insurance recoveries) | | (0.6) | | 1.1 |
| Gain on the disposition of restaurants | | (0.4) | | — |
| Other | | 0.9 | | 2.6 |
| | $ | 3.3 | $ | 8.5 |

Interest expenses increased $2.8 million due to higher interest rates on the 8.250% notes, offset slightly by lower long-term debt outstanding.

***Twenty-Six Week Period Ended December 27, 2023 compared to December 28, 2022***

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

| | Twenty-Six Week Periods Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 531.9 | 25.8 % | $ 578.9 | 29.6 % | $ 47.0 | 3.8 % |
| Restaurant labor | 704.2 | 34.1 % | 665.2 | 34.0 % | (39.0) | (0.1)% |
| Restaurant expenses | 585.5 | 28.3 % | 537.2 | 27.5 % | (48.3) | (0.8)% |
| Depreciation and amortization | 83.2 | | 83.7 | | 0.5 | |
| General and administrative | 85.6 | | 75.1 | | (10.5) | |
| Other (gains) and charges | 9.6 | | 13.5 | | 3.9 | |
| Interest expenses | 33.7 | | 26.2 | | (7.5) | |
| Other income, net | (0.1) | | (0.7) | | (0.6) | |

As a percentage of Company sales:

- *Food and beverage costs* were favorable 3.8%, due to 2.2% from increased menu pricing, 0.8% of favorable menu item mix and 0.8% of favorable commodity costs driven primarily by lower poultry costs, partially offset by higher beverage costs.
- *Restaurant labor* was unfavorable 0.1%, due to 1.3% of higher hourly labor expenses driven by increased wage rates and staffing levels, and 0.6% of higher manager salaries partially offset by 1.7% of sales leverage and 0.1% of lower other labor expenses.
- *Restaurant expenses* were unfavorable 0.8%, due to 2.1% of higher advertising, 0.4% of higher repairs and maintenance expenses, 0.2% of higher higher workers' compensation and general liability insurance, 0.4% of higher other restaurant expenses, partially offset by 1.2% of sales leverage and 1.1% of lower delivery fees and to-go supplies.

Depreciation and amortization decreased $0.5 million as follows:

| | Depreciation and Amortization |
|---|---|
| Twenty-Six Week Period Ended December 28, 2022 | $ 83.7 |
| Change from: | |
| Additions for existing and new restaurant assets | 12.8 |
| Corporate assets | 1.4 |
| Finance leases | (4.2) |
| Retirements and fully depreciated restaurant assets | (10.4) |
| Other | (0.1) |
| Twenty-Six Week Period Ended December 27, 2023 | $ 83.2 |

General and administrative expenses increased $10.5 million as follows:

| | | General and Administrative |
|---|---|---|
| Twenty-Six Week Period Ended December 28, 2022 | $ | 75.1 |
| Change from: | | |
| Stock-based compensation[1] | | 4.3 |
| Performance-based compensation | | 3.3 |
| Corporate technology initiatives | | 1.2 |
| Defined contribution plan employer expenses and other benefits | | 0.6 |
| Travel and entertainment expenses | | 0.5 |
| Recruiting | | (0.7) |
| Other | | 1.3 |
| Twenty-Six Week Period Ended December 27, 2023 | $ | 85.6 |

[1] Stock-based compensation increased compared to the prior year primarily due to the impact of reversing expense associated with a performance share award in the second quarter of fiscal 2023, when we determined the performance target was not achievable.

Other (gains) and charges consisted of the following (for further details, refer to Note 11 - Other Gains and Charges):

| | Twenty-Six Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | |
| Enterprise system implementation costs | $ | 4.1 | $ | 2.0 |
| Litigation & claims, net | | 3.2 | | 0.8 |
| Restaurant closure asset write-offs and charges | | 0.8 | | 4.8 |
| Lease contingencies | | 0.5 | | — |
| Remodel-related asset write-offs | | 0.3 | | 1.0 |
| Loss from natural disasters, net of (insurance recoveries) | | (0.4) | | 0.9 |
| Gain on the disposition of restaurants | | (0.4) | | — |
| Other | | 1.5 | | 4.0 |
| | $ | 9.6 | $ | 13.5 |

Interest expenses increased $7.5 million due to higher interest rates on the 8.250% notes, slightly offset by lower long-term debt outstanding.

## Income Taxes

| | Thirteen Week Periods Ended | | Twenty-Six Week Periods Ended | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | December 27, 2023 | December 28, 2022 |
| Effective income tax rate | 8.1 % | (3.0)% | 7.0 % | 50.0 % |

The federal statutory tax rate was 21.0% for the thirteen and twenty-six week periods ended December 27, 2023 and December 28, 2022.

The change in the effective income tax rate in the thirteen and twenty-six week periods ended December 27, 2023 to the thirteen and twenty-six week periods ended December 28, 2022 is primarily due to a less favorable impact from the FICA tip tax credit against higher Income before income taxes.

## Segment Results

### *Chili's Segment*

*Thirteen Week Period Ended December 27, 2023 compared to December 28, 2022*

| | Thirteen Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance | Variance as percentage |
| Company sales | $ 916.9 | $ 869.3 | $ 47.6 | 5.5 % |
| Franchise revenues | 10.3 | 9.4 | 0.9 | 9.6 % |
| Total revenues | $ 927.2 | $ 878.7 | $ 48.5 | 5.5 % |

Chili's Total revenues increased by 5.5% primarily due to favorable comparable restaurant sales driven by menu price increases, partially offset by unfavorable menu item mix and 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 | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 239.2 | 26.1 % | $ 253.7 | 29.2 % | $ 14.5 | 3.1 % |
| Restaurant labor | 313.0 | 34.1 % | 292.3 | 33.6 % | (20.7) | (0.5)% |
| Restaurant expenses | 258.3 | 28.2 % | 234.1 | 26.9 % | (24.2) | (1.3)% |
| Depreciation and amortization | 35.5 | | 36.0 | | 0.5 | |
| General and administrative | 10.2 | | 8.5 | | (1.7) | |
| Other (gains) and charges | 0.9 | | 5.7 | | 4.8 | |

As a percentage of Company sales:

- Chili's Food and beverage costs were favorable 3.1%, due to 2.0% from increased menu pricing, 0.9% of favorable commodity costs driven primarily by lower poultry and produce costs, partially offset by higher beverage costs, and 0.2% of favorable menu item mix.
- Chili's Restaurant labor was unfavorable 0.5%, due to 1.5% of higher hourly labor driven by increased wage rates and staffing levels, and 0.7% of increased manager salary, partially offset by 1.7% of sales leverage.
- Chili's Restaurant expenses were unfavorable 1.3%, due to 2.5% of higher advertising, 0.5% of higher repairs and maintenance, 0.5% of higher other restaurant expenses, partially offset by 1.1% of sales leverage and 1.1% lower delivery fees and to-go supplies.

Chili's Depreciation and amortization decreased $0.5 million as follows:

| | | Depreciation and Amortization |
|---|---|---|
| Thirteen Week Period Ended December 28, 2022 | $ | 36.0 |
| Change from: | | |
| Additions for new and existing restaurant assets | | 5.6 |
| Finance leases | | (2.4) |
| Retirements and fully depreciated restaurant assets | | (3.7) |
| Thirteen Week Period Ended December 27, 2023 | $ | 35.5 |

Chili's General and administrative increased $1.7 million as follows:

| | | General and Administrative |
|---|---|---|
| Thirteen Week Period Ended December 28, 2022 | $ | 8.5 |
| Change from: | | |
| Performance-based compensation | | 0.8 |
| Defined contribution plan employer expenses and other benefits | | 0.5 |
| Stock-based compensation | | 0.5 |
| Other | | (0.1) |
| Thirteen Week Period Ended December 27, 2023 | $ | 10.2 |

Chili's Other (gains) and charges consisted of the following (for further details, refer to Note 11 - Other Gains and Charges):

| | Thirteen Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | |
| Litigation & claims, net | $ | 0.8 | $ | 0.1 |
| Restaurant closure asset write-offs and charges | | 0.2 | | 3.1 |
| Remodel-related asset write-offs | | — | | 0.2 |
| Loss (gain) on disposition of restaurants | | (0.4) | | — |
| Loss from natural disasters, net of (insurance recoveries) | | (0.6) | | 1.1 |
| Other | | 0.9 | | 1.2 |
| | $ | 0.9 | $ | 5.7 |

*Twenty-Six Week Period Ended December 27, 2023 compared to December 28, 2022*

| | Twenty-Six Week Periods Ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | | Variance as percentage |
| Company sales | $ | 1,814.7 | $ | 1,709.9 | $ | 104.8 | 6.1 % |
| Franchise revenues | | 20.6 | | 18.7 | | 1.9 | 10.2 % |
| Total revenues | $ | 1,835.3 | $ | 1,728.6 | $ | 106.7 | 6.2 % |

Chili's Total revenues increased 6.2% primarily due to favorable comparable restaurant sales driven by menu price increases and favorable menu item mix, 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:

| | Twenty-Six Week Periods Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 472.3 | 26.0 % | $ 514.6 | 30.1 % | $ 42.3 | 4.1 % |
| Restaurant labor | 624.0 | 34.4 % | 586.7 | 34.3 % | (37.3) | (0.1)% |
| Restaurant expenses | 516.8 | 28.5 % | 471.0 | 27.6 % | (45.8) | (0.9)% |
| Depreciation and amortization | 71.7 | | 72.0 | | 0.3 | |
| General and administrative | 20.2 | | 18.0 | | (2.2) | |
| Other (gains) and charges | 4.6 | | 8.7 | | 4.1 | |

As a percentage of Company sales:

- Chili's Food and beverage costs were favorable 4.1%, due to 2.4% from increased menu pricing, 0.9% of favorable commodity costs driven primarily by lower poultry costs, partially offset by higher beverage costs, and 0.8% of favorable menu item mix.
- Chili's Restaurant labor was unfavorable 0.1%, due to 1.3% of higher hourly labor expenses driven by increased wage rates and staffing levels, 0.6% of increased manager salaries, and 0.1% of higher other labor expenses, partially offset by 1.9% of sales leverage.
- Chili's Restaurant expenses were unfavorable 0.9%, due to 2.4% of higher advertising, 0.5% of higher repairs and maintenance expenses, and 0.3% of higher other restaurant expenses, partially offset by 1.2% of lower delivery fees and to-go supplies and 1.1% of sales leverage.

Chili's Depreciation and amortization decreased $0.3 million as follows:

| | Depreciation and Amortization |
|---|---|
| Twenty-Six Week Period Ended December 28, 2022 | $ 72.0 |
| Change from: | |
| Additions for existing and new restaurant assets | 11.4 |
| Finance leases | (4.2) |
| Retirements and fully depreciated restaurant assets | (7.6) |
| Other | 0.1 |
| Twenty-Six Week Period Ended December 27, 2023 | $ 71.7 |

Chili's General and administrative increased $2.2 million as follows:

| | General and Administrative |
|---|---|
| Twenty-Six Week Period Ended December 28, 2022 | $ 18.0 |
| Change from: | |
| Performance-based compensation | 1.0 |
| Defined contribution plan employer expenses and other benefits | 1.0 |
| Stock-based compensation | 0.5 |
| Recruiting | (0.6) |
| Other | 0.3 |
| Twenty-Six Week Period Ended December 27, 2023 | $ 20.2 |

Chili's Other (gains) and charges consisted of the following (for further details, refer to Note 11 - Other Gains and Charges):

| | Twenty-Six Week Periods Ended | |
|---|---|---|
| | December 27, 2023 | December 28, 2022 |
| Litigation & claims, net | $ 3.0 | $ 0.4 |
| Restaurant closure asset write-offs and charges | 0.8 | 4.2 |
| Remodel-related asset write-offs | — | 1.0 |
| Loss (gain) on disposition of restaurants | (0.4) | — |
| Loss from natural disasters, net of (insurance recoveries) | (0.4) | 0.9 |
| Other | 1.6 | 2.2 |
| | $ 4.6 | $ 8.7 |

***Maggiano's Segment***

*Thirteen Week Period Ended December 27, 2023 compared to December 28, 2022*

| | Thirteen Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance | Variance as a percentage |
| Company sales | $ 146.8 | $ 140.1 | $ 6.7 | 4.8 % |
| Franchise revenues | 0.1 | 0.2 | (0.1) | (50.0)% |
| Total revenues | $ 146.9 | $ 140.3 | $ 6.6 | 4.7 % |

Maggiano's Total revenues increased 4.7% primarily due to favorable comparable restaurant sales driven by increased menu pricing, partially offset by lower traffic. 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 | | | | Favorable (Unfavorable) Variance | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 33.9 | 23.1 % | $ 35.7 | 25.5 % | $ 1.8 | 2.4 % |
| Restaurant labor | 43.1 | 29.3 % | 42.3 | 30.2 % | (0.8) | 0.9 % |
| Restaurant expenses | 36.2 | 24.7 % | 34.2 | 24.4 % | (2.0) | (0.3)% |
| Depreciation and amortization | 3.2 | | 3.3 | | 0.1 | |
| General and administrative | 2.1 | | 1.5 | | (0.6) | |
| Other (gains) and charges | 0.2 | | 0.3 | | 0.1 | |

As a percentage of Company sales:

- Maggiano's Food and beverage costs were favorable 2.4%, due to 1.8% from increased menu pricing and 0.6% of favorable commodity costs driven primarily by lower poultry and seafood costs.
- Maggiano's Restaurant labor was favorable 0.9%, due to 1.2% of sales leverage and 0.2% of lower other labor expenses, partially offset by 0.5% of higher hourly labor costs.
- Maggiano's Restaurant expenses were unfavorable 0.3%, due to 0.5% of higher rent, 0.4% higher supervision, 0.4% of higher repairs and maintenance, and 0.3% of higher supplies, partially offset by 0.7% of sales leverage, 0.5% of lower delivery fees and to-go supplies, and 0.1% of lower other restaurant expenses.

*Twenty-Six Week Period Ended December 27, 2023 compared to December 28, 2022*

| | Twenty-Six Week Periods Ended | | | |
|---|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance | Variance as a percentage |
| Company sales | $ 251.0 | $ 245.6 | $ 5.4 | 2.2 % |
| Franchise revenues | 0.3 | 0.3 | — | — % |
| Total revenues | $ 251.3 | $ 245.9 | $ 5.4 | 2.2 % |

Maggiano's Total revenues increased 2.2% primarily due to favorable comparable restaurant sales driven by increased menu pricing, partially offset by lower traffic. 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:

| | Twenty-Six Week Periods Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2023 | | December 28, 2022 | | Favorable (Unfavorable) Variance | |
| | Dollars | % of Company Sales | Dollars | % of Company Sales | Dollars | % of Company Sales |
| Food and beverage costs | $ 59.6 | 23.7 % | $ 64.3 | 26.2 % | $ 4.7 | 2.5 % |
| Restaurant labor | 80.2 | 32.0 % | 78.5 | 32.0 % | (1.7) | — % |
| Restaurant expenses | 68.4 | 27.2 % | 65.9 | 26.8 % | (2.5) | (0.4)% |
| Depreciation and amortization | 6.4 | | 6.5 | | 0.1 | |
| General and administrative | 4.5 | | 4.0 | | (0.5) | |
| Other (gains) and charges | 0.4 | | 0.8 | | 0.4 | |

As a percentage of Company sales:

- Maggiano's Food and beverage costs were favorable 2.5%, due to 1.7% from increased menu pricing and 0.8% of favorable commodity costs driven by lower poultry costs.
- Maggiano's Restaurant labor was flat 0.0%, due to 0.6% of sales leverage, partially offset by 0.5% of higher hourly labor costs and 0.1% of higher other labor costs.
- Maggiano's Restaurant expenses were unfavorable 0.4%, due to 0.5% of higher repairs and maintenance, 0.4% of higher supervision, and 0.4% of higher other restaurant expenses, partially offset by 0.5% of lower delivery fees and to-go supplies and 0.4% of sales leverage.

## Liquidity and Capital Resources

### *Cash Flows*

*Cash Flows from Operating Activities*

| | Twenty-Six Week Periods Ended | | |
|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance |
| Net cash provided by operating activities | $ 150.3 | $ 68.0 | $ 82.3 |

Net cash provided by operating activities increased due to an increase in operating income, the timing of accrued interest payments on our 8.25% notes and the timing of other operational receipts and payments, partially offset by increases in payments of performance-based compensation and income taxes in the current year.

*Cash Flows from Investing Activities*

| | Twenty-Six Week Periods Ended | | |
|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance |
| Net cash used in investing activities | $ (86.8) | $ (93.2) | $ 6.4 |

Net cash used in investing activities decreased compared to the prior year. Decreased spend on Chili's remodels and new restaurant construction were partially offset by increased Chili's capital maintenance and spend on Maggiano's remodels.

*Cash Flows from Financing Activities*

| | Twenty-Six Week Periods Ended | | |
|---|---|---|---|
| | December 27, 2023 | December 28, 2022 | Favorable (Unfavorable) Variance |
| Net cash (used in) provided by financing activities | $ (55.9) | $ 26.4 | $ (82.3) |

Net cash (used in) provided by financing activities increased primarily due to $25.0 million of net repayment activity in fiscal 2024 compared to $40.0 million of net borrowing activity in fiscal 2023 on the revolving credit facility and an increase in share repurchases in fiscal 2024 of $23.0 million.

*Debt*

Net repayments of $25.0 million were made during the twenty-six week period ended December 27, 2023 on the revolving credit facility. As of December 27, 2023, $763.7 million of credit was available under the revolving credit facility.

The $900.0 million revolving credit facility matures on August 18, 2026 and bears interest of SOFR plus an applicable margin of 1.50% to 2.25% and an undrawn commitment fee of 0.25% to 0.35%, both based on a function of our debt-to-cash-flow ratio. As of December 27, 2023, our interest rate was 7.21% consisting of SOFR of 5.36% plus the applicable margin and spread adjustment of 1.85%.

As of December 27, 2023, we were in compliance with our covenants pursuant to the $900.0 million revolving credit facility and under the terms of the indentures governing our 5.000% and 8.250% notes. We expect to remain in compliance with our covenants during the remainder of fiscal 2024.

We intend to refinance our 5.000% notes, which will mature in October 2024, through our existing revolving credit facility.

Refer to Note 6 - Debt for further information about our notes and revolving credit facility.

*Share Repurchase Program*

Our Board of Directors approved a $300.0 million share repurchase program during fiscal 2022. 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.

In the twenty-six week period ended December 27, 2023, we repurchased 0.8 million shares of our common stock for $25.1 million, including 0.7 million shares purchased for $21.0 million as part of our share repurchase program and 0.1 million shares purchased from team members to satisfy tax withholding obligations on the vesting of restricted shares. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan. As of December 27, 2023, approximately $183.0 million of share repurchase authorization remains under the current share repurchase program.

***Cash Flow Outlook***

Cash flow from operations typically provides the company with a significant source of liquidity. Additionally, during fiscal 2023, we increased the capacity under our revolving credit facility by $100.0 million and issued new $350.0 million senior notes that mature in 2030.

Based on the current level of operations, we believe that our current cash and cash equivalents, coupled with cash generated from operations and availability under our existing revolving credit facility will be adequate to meet our capital expenditure and working capital needs for at least the next twelve months. We continue to monitor the macro environment and will adjust our overall approach to capital allocation, including share repurchases, as events and macroeconomic trends unfold.

## 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 28, 2023.

## 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

## Interest Rate Risk

The terms of our revolving credit facility require us to pay interest on outstanding borrowings at SOFR plus an applicable margin based on a function of our debt-to-cash flow ratio. As of December 27, 2023, $136.3 million was outstanding under the revolving credit facility. For purposes of illustration, a 10% increase in the current interest rate on the outstanding balance of this variable rate financial instrument as of December 27, 2023 would result in an additional $1.0 million of interest expense during fiscal 2024.

### Commodity Price Risk

We purchase food and other commodities for use in our operations based on market prices established with our suppliers. While our purchasing commitments partially mitigate the risk of such fluctuations, there is no assurance that supply and demand factors such as disease, inclement weather or recent geopolitical unrest, will not cause the prices of the commodities used in our restaurant operations to fluctuate. Additionally, if there is a time lag between increasing commodity prices and our ability to increase menu prices or if we believe a commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected.

## 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 December 27, 2023 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 28, 2023, 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; disruptions on our business including consumer demand, costs, product mix, our strategic initiatives, our partners’ supply chains, operations, technology and assets, and our financial performance; the impact of competition; changes in consumer preferences; consumer perception of food safety; reduced consumer discretionary spending; unfavorable publicity; governmental regulations; the Company's ability to meet its business strategy plan; loss of key management personnel; failure to hire and retain high-quality restaurant management and team members; increasing regulation surrounding wage inflation and competitive labor markets; 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; 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 7 - 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 28, 2023, 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.

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 28, 2023.

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

Our Board of Directors approved a $300.0 million share repurchase program during fiscal 2022.

During the thirteen week period ended December 27, 2023, 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 |
|---|---|---|---|---|
| September 28, 2023 through November 1, 2023 | 0.010 | $ 31.27 | — | $ 183.0 |
| November 2, 2023 through November 29, 2023 | 0.001 | 33.29 | — | 183.0 |
| November 30, 2023 through December 27, 2023 | — | — | — | 183.0 |
| Total | 0.011 | $ 31.46 | — | |

(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 December 27, 2023, 11,195 shares were tendered by team members at an average price of $31.46.

### 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)] |
| 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 December 27, 2023 is formatted in Inline XBRL. |

(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: January 31, 2024 — 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: January 31, 2024 — By: /S/ JOSEPH G. TAYLOR
Joseph G. Taylor,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 31(a)**

**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: January 31, 2024

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)*

**Exhibit 31(b)**

**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: January 31, 2024

By: /S/ JOSEPH G. TAYLOR

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

**Exhibit 32(a)**

**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 December 27, 2023 (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: January 31, 2024 | By: | /S/ KEVIN D. HOCHMAN |
| | | Kevin D. Hochman,<br>*President and Chief Executive Officer*<br>*of Brinker International, Inc.*<br>*and President of Chili's Grill & Bar*<br>*(Principal Executive Officer)* |

**Exhibit 32(b)**

**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 December 27, 2023 (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: January 31, 2024 | By: | /S/ JOSEPH G. TAYLOR |
| | | Joseph G. Taylor,<br>*Executive Vice President and Chief Financial Officer*<br>*(Principal Financial and Accounting Officer)* |