FORM 10Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

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

SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended September 28, 1994

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X No

Number of shares of common stock of registrant outstanding at September 28, 1994: 71,667,245.

BRINKER INTERNATIONAL, INC.

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

	SEPTEMBER 28, 1994	JUNE 29, 1994
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,060	$ 3,743
Accounts Receivable	16,967	12,651
Assets Held for Sale and Leaseback	347	---
Inventories	8,681	8,213
Prepaid Expenses	18,028	17,601
Deferred Income Taxes	4,246	4,655
Total Current Assets	49,329	46,863
Property and Equipment, at Cost:		
Land	$ 113,442	$ 106,040
Buildings and Leasehold Improvements	304,149	286,437
Furniture and Equipment	185,847	172,403
Construction-in-Progress	28,227	31,300
	631,665	596,180
Less Accumulated Depreciation	172,450	161,946
Net Property and Equipment	459,215	434,234
Other Assets:		
Preopening Costs	$ 8,027	$ 7,927
Marketable Securities	44,459	45,239
Notes Receivable	986	2,231
Other	26,127	21,941
Total Other Assets	79,599	77,338
Total Assets	$ 588,143	$ 558,435

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	SEPTEMBER 28, 1994	JUNE 29, 1994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		

Short-term Debt	$ 11,150	$ ---
Current Installments of Long-term Debt	309	501
Accounts Payable	44,357	45,340
Accrued Liabilities	55,057	55,901
Total Current Liabilities	110,873	101,742
Long-term Debt, Less Current Installments	3,813	4,404
Senior Subordinated Convertible Debentures	1,200	1,200
Deferred Income Taxes	13,112	12,143
Other Liabilities	20,392	21,569
Commitments and Contingencies		
Shareholders' Equity:		
Preferred Stock-1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	---	---
Common Stock-100,000,000 Authorized Shares; $.10 Par Value; 71,667,245 and 71,405,017 Shares Issued and Outstanding at September 28, 1994 and June 29, 1994, Respectively	7,167	7,141
Additional Paid-In Capital	186,994	183,299
Unrealized Loss on Marketable Securities	(1,334)	(441)
Retained Earnings	245,926	227,378
Total Shareholders' Equity	438,753	417,377
Total Liabilities and Shareholders' Equity	$ 588,143	$ 558,435

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Thirteen Week Periods Ended	
	September 28, 1994	September 29, 1993
Revenues	$ 247,072	$ 207,253
Costs and Expenses:		
Cost of Sales	66,276	57,398
Restaurant Expenses	126,847	105,711
Depreciation and Amortization	13,786	11,531
General and Administrative	12,224	10,897
Interest Expense	---	116
Other, Net	(817)	(1,416)
Total Costs and Expenses	218,316	184,237
Income Before Provision for Income Taxes	28,756	23,016
Provision for Income Taxes	10,208	8,099
Net Income	$ 18,548	$ 14,917
Primary and Fully Diluted Net Income Per Share	$ 0.25	$ 0.20
Primary Weighted Average Shares Outstanding	74,799	74,523
Fully Diluted Weighted Average		

Shares Outstanding	74,936	74,742

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	Thirteen Week Periods Ended	
	September 28, 1994	September 29, 1993
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	$ 18,548	$ 14,917
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation of Property and Equipment	11,263	9,568
Amortization of Preopening Costs	2,523	1,963
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(4,316)	(2,329)
Increase in Inventories	(468)	(798)
Increase in Prepaid Expenses	(427)	(883)
Increase in Other Assets	(5,564)	(4,497)
(Decrease) Increase in Accounts Payable	(983)	5,651
(Decrease) Increase in Accrued Liabilities	(844)	1,123
Increase in Deferred Income Taxes	1,378	1,074
(Decrease) Increase in Other Liabilities	(1,177)	436
Net Cash Provided by Operating Activities	19,933	26,225
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for Property and Equipment	(36,244)	(31,176)
(Increase) Decrease in Assets Held for Sale and Leaseback	(347)	734
Purchases of Marketable Securities	(4,411)	(19,660)
Proceeds from Sales of Marketable Securities	4,298	17,802
Net Cash Used in Investing Activities	(36,704)	(32,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of Short-term Debt	11,150	4,750
(Payments) Borrowings of Long-term Debt	(783)	28
Proceeds from Issuances of Common Stock	3,721	608
Net Cash Provided by Financing Activities	14,088	5,386
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,683)	(689)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,743	12,477
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,060	$ 11,788
CASH PAID DURING THE PERIOD:		
Interest, Net of Amounts Capitalized	$ ---	$ 116
Income Taxes	1,839	330

See Accompanying Notes to Condensed Consolidated Financial Statements

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

1. Basis of Presentation

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

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

2. Net Income Per Share

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

3. Business Combination

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

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

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

	Thirteen Week Periods Ended September 28, 1994	Thirteen Week Periods Ended September 29, 1993
Revenues	100.0%	100.0%
Costs and Expenses:		
Cost of Sales	26.8%	27.7%
Restaurant Expenses	51.3%	51.0%
Depreciation and Amortization	5.6%	5.6%
General and Administrative	4.9%	5.3%
Interest Expense	0.0%	0.0%
Other, Net	(0.2)%	(0.7)%
Total Costs and Expenses	88.4%	88.9%
Income Before Provision for Income Taxes	11.6%	11.1%
Provision for Income Taxes	4.1%	3.9%
Net Income	7.5%	7.2%

The following table shows restaurant openings during the first quarter and total restaurants open at the end of the first quarter.

	First Quarter Openings Fiscal 1995	First Quarter Openings Fiscal 1994	Total Open At End of First Quarter Fiscal 1995	Total Open At End of First Quarter Fiscal 1994
Chili's:				
Company-owned	16	16	296	263
Franchised	8	1	86	71
Total	24	17	382	334
Macaroni Grill:				
Company-owned	4	4	38	26
Franchised	--	--	1	--
Total	4	4	39	26
Grady's	1	4	35	28
Spageddies	--	1	6	4
On The Border:				
Company-owned	--	--	14	11
Franchised	--	2	6	7
Total	--	2	20	18
R&D Concepts:				
Company-owned	--	--	1	1
Joint Venture	--	--	1	--
Total	--	--	2	1
Grand Total	29	28	484	411

REVENUES

Revenues for the first quarter of fiscal 1995 increased to $247.1 million, 19.2% over the $207.3 million generated for the same quarter of fiscal 1994. The increase is primarily attributable to the 61 Company-operated restaurants opened or acquired since September 29, 1993. In addition, reported comparable store sales increased 0.7% as Chili's, Macaroni Grill, and Grady's generated comparable store sales increases (decreases) of 1.0%, 1.9%, and (2.5)%, respectively. Strong new store sales volumes experienced last year, particularly with respect to Grady's and Macaroni Grill, resulted in more difficult comparable store sales comparisons this quarter. Although the Florida market has been hurt by a decline in tourism, positive comparable store sales gains in Texas and California have offset the comparatively soft sales in Florida.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased from 27.7% in fiscal 1994 to 26.8% in fiscal 1995. As a result of increased purchasing leverage, favorable commodity prices were experienced in meat, poultry, produce, and dairy. These prices were responsible for about 50% of the favorable variance. Other favorable factors include shifts in product mix to lower food cost items and menu reformulation, such as the addition of the Guiltless Grill menu items at Chili's. These positive variances were somewhat offset by unfavorable prices for non-alcoholic beverages and seafood.

Restaurant expenses increased from 51% in fiscal 1994 to 51.3% in fiscal 1995. Management costs increased due to staffing and training costs associated with second and third quarter expansion. At the restaurant level, hourly costs increased due to overtime incurred to cover temporary spot shortages experienced when school commenced in August and September. These cost increases were partially offset by decreases in rent expense resulting from an increase in the percentage of owned versus leased restaurants and reductions in claim costs across all lines of insurance as a result of aggressive safety programs in place at the restaurant level.

Depreciation and amortization was flat compared to the prior year first quarter. Construction costs for new restaurants, remodel costs, and capital expenditures at the corporate level, including investments in new computer hardware and software, were offset by increased restaurant revenues and a declining depreciable asset base for older units.

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

Other, net, decreased compared to the first quarter of fiscal 1994. The decrease is primarily the result of $500,000 in net realized gains on sales of marketable securities recognized in the first quarter of fiscal 1994 as investments were called by companies that were refinancing. Interest and dividend income, however, remained flat.

INCOME BEFORE PROVISION FOR INCOME TAXES

As a result of the relationships between revenues and costs and expenses, income before provision for income taxes has increased 24.9% over the first quarter of fiscal 1994.

INCOME TAXES

The Company's effective income tax rate increased to 35.5% in the first quarter of fiscal 1995 compared to 35.2% in the first quarter of fiscal 1994. The Company's effective income tax rate continues to rise as a result of incremental earnings taxed at higher effective rates and additional state income tax liabilities resulting from continued expansion, particularly relating to growth in California and Florida.

NET INCOME AND NET INCOME PER SHARE

Net income and net income per share rose 24.3% and 25%, respectively, compared to the first quarter of fiscal 1994. The increases exceed the increase in revenues as the Company continues to control costs and expenses while maintaining the expansion of the restaurant concepts. The 0.4% increase in primary weighted average shares outstanding is primarily the result of common stock options exercised.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $54.9 million at June 29, 1994 to $61.5 million at September 28, 1994, due primarily to the Company's capital expenditures as discussed below. Net cash provided by operating activities decreased from $26.3 million in the first quarter of fiscal 1994 to $19.9 million in the first quarter of fiscal 1995 due to the timing of operational receipts and payments, which offset cash generated from the increased number of restaurants in operation, strong operating results from existing units, and the effective containment of costs.

Long-term debt outstanding at September 28, 1994 consisted of obligations under capital leases. At September 28, 1994, the Company had available funds from lines of credit totalling $28.9 million.

Capital expenditures were $36.2 million for the first quarter of fiscal 1995, as compared to $31.2 million in the first quarter of fiscal 1994. Purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and the ongoing remodeling program for existing units were responsible for the increased expenditures. The Company estimates that its capital expenditures during the second quarter of fiscal 1995 will be approximately $48 million. These capital expenditures will be funded from internal operations, income earned from investments, build-to-suit lease agreements with landlords, and drawdowns on the Company's available lines of credit.

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

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

PART II. OTHER INFORMATION

No items applicable to the first quarter of fiscal 1995.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: November 8, 1994

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

Date: November 8, 1994

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