NEWS RELEASE

Brinker International Reports Second Quarter Of Fiscal 2021 Results

2021-01-27

DALLAS, Jan. 27, 2021 /PRNewswire/ -- Brinker International, Inc. (NYSE: EAT) today announced results for the second quarter of fiscal 2021 ended December 23, 2020.

"I'm proud of our operators and their focus on providing our guests the best possible experience," said Wyman Roberts, CEO and President. "We know even more guests are excited to come back as the country emerges from the pandemic. We have continued to invest in our business and are well positioned for growth."

Fiscal 2021 Highlights - Second Quarter

Financial metrics for the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020 were negatively impacted by the ongoing COVID-19 pandemic. Total revenues declined due to capacity limitations and personal safety preferences, partially offset by increased off-premise sales.

- Net income per diluted share, on a GAAP basis, in the second quarter of fiscal 2021 decreased 64.4% to $0.26 compared to $0.73 in the second quarter of fiscal 2020
- Net income per diluted share, excluding special items, in the second quarter of fiscal 2021 decreased 65.3% to $0.35 compared to $1.01 in the second quarter of fiscal 2020
- Net cash provided by operating activities in the twenty-six week period ended December 23, 2020 was $130.0 million, and capital expenditures totaled $37.1 million resulting in free cash flow of $92.9 million

- Net repayments of $66.6 million were made on the revolving credit facility in the twenty-six week period ended December 23, 2020 resulting in total available liquidity of $657.8 million as of December 23, 2020
- As of January 20, 2021, approximately 82% of Chili's and 69% of Maggiano's restaurants were operating with open dining rooms

For comparable restaurant sales details and non-GAAP reconciliations, please refer to the Non-GAAP Information and Reconciliations section of this release.

Financial Metrics

	Second Quarter		
	2021[2]	2020	% Change
Company sales	$ 746.2	$ 847.5	(12.0) %
Total revenues	$ 760.7	$ 869.3	(12.5) %
Operating income	$ 22.1	$ 43.5	(49.2) %
Operating income as a percentage of Total revenues	2.9 %	5.0 %	(2.1) %
Restaurant operating margin, non-GAAP[1]	$ 80.2	$ 107.9	(25.7) %
Restaurant operating margin as a percentage of Company sales, non-GAAP	10.7 %	12.7 %	(2.0) %
Net income per diluted share	$ 0.26	$ 0.73	(64.4) %
Net income per diluted share, excluding special items, non-GAAP	$ 0.35	$ 1.01	(65.3) %

Comparable Restaurant Sales - Company Owned	Q2:21 vs 20[2]	Q2:20 vs 19
Brinker	(12.1) %	1.5 %
Chili's	(6.3) %	2.0 %
Maggiano's	(47.0) %	(1.4) %

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(1) Restaurant operating margin is defined as Company sales less Company restaurant expenses which includes Food and beverage costs, Restaurant labor and Restaurant expenses, and excludes Depreciation and amortization, General and administrative and Other (gains) and charges (see non-GAAP reconciliation below)

(2) Company sales and Comparable Restaurant Sales include the results of It's Just Wings®

Second Quarter of Fiscal 2021 Operating Performance

Segment Performance

The rise in COVID-19 cases during the second quarter resulted in some dining room closures and capacity restrictions which have negatively impacted our results. Capacity restrictions related to the ongoing COVID-19 pandemic vary by location due to state and local mandates. These capacity restrictions and personal safety preferences have resulted in lower dining room guest traffic and many guests have shifted to our off-premise dining options. This shift has changed our staffing requirements, expenses associated with off-premise and other operational expenses which are noted below.

	Chili's			Maggiano's		
	Second Quarter			Second Quarter		
	2021[2]	2020	Variance	2021[2]	2020	Variance
Company sales	$ 683.0	$ 728.4	$ (45.4)	$ 63.2	$ 119.1	$ (55.9)
Franchise and other revenues	13.4	14.7	(1.3)	1.1	7.1	(6.0)
Total revenues	$ 696.4	$ 743.1	$ (46.7)	$ 64.3	$ 126.2	$ (61.9)
Operating income (loss)	$ 50.0	$ 51.6	$ (1.6)	$ (0.9)	$ 21.5	$ (22.4)
Operating income (loss) as a % of Total revenues	7.2 %	6.9 %	0.3 %	(1.4) %	17.0 %	(18.4) %
Company restaurant expenses[1]	$ 605.8	$ 640.3	$ (34.5)	$ 59.7	$ 99.2	$ (39.5)
Company restaurant expenses as a % of Company sales	88.7 %	87.9 %	0.8 %	94.5 %	83.3 %	11.2 %
Restaurant operating margin - non-GAAP	$ 77.2	$ 88.1	$ (10.9)	$ 3.5	$ 19.9	$ (16.4)
Restaurant operating margin as a % of Company sales - non-GAAP	11.3 %	12.1 %	(0.8) %	5.5 %	16.7 %	(11.2) %

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(1) Company restaurant expenses includes Food and beverage costs, Restaurant labor and Restaurant expenses, and excludes Depreciation and amortization, General and administrative and Other (gains) and charges
(2) Chili's and Maggiano's Second Quarter 2021 include the results of It's Just Wings

Chili's

- Chili's Company sales decreased primarily due to lower dining room sales, partially offset by increased off-premise sales including It's Just Wings

- Chili's Company restaurant expenses, as a percentage of Company sales, increased primarily due to higher expenses related to delivery fees and supplies in connection with the growth in off-premise sales, sales deleverage, and unfavorable commodity pricing. These increases were partially offset by lower advertising expenses, lower manager and hourly labor expenses, lower repairs and maintenance expenses, lower supervision expenses, lower credit card fees, favorable menu item mix, and favorable menu pricing

Maggiano's

- Maggiano's Company sales decreased primarily due to lower dining room sales, partially offset by increased off-premise sales

- Maggiano's Company restaurant expenses, as a percentage of Company sales, increased primarily due to sales deleverage, higher expenses related to delivery fees and supplies in connection with the growth in off-premise sales, unfavorable menu item mix, unfavorable commodity pricing and higher insurance expenses. These increases were partially offset by lower manager and hourly labor expenses, lower repairs and maintenance expenses, lower banquet expenses, lower advertising expenses, lower credit card fees, lower utilities expenses and favorable menu pricing

Franchise and other revenues

- Franchise and other revenues include royalties and advertising fees that are earned based on franchise sales. Our franchisees generated sales of approximately $187.7 million in the second quarter of fiscal 2021 compared to $247.4 million in the second quarter of fiscal 2020. This decrease is primarily due to the ongoing impact of the COVID-19 pandemic on our domestic and global franchise restaurants

- Maggiano's Franchise and other revenues decreased primarily due to lower banquet volume driven by the ongoing impact of the COVID-19 pandemic

Income Taxes

- On a GAAP basis, the effective income tax rate was a benefit of 46.3% in the second quarter of fiscal 2021 compared to an expense of 3.8% in the second quarter of fiscal 2020 primarily driven by lower income before income taxes and leverage on the FICA tip tax credit. Excluding the impact of special items (see non-GAAP reconciliation below for details), the effective income tax rate was a benefit of 17.6% in the second quarter of fiscal 2021 compared to an expense of 10.5% in the second quarter of fiscal 2020

Webcast Information

Investors and interested parties are invited to listen to today's conference call, as management will provide further details of the quarter and business updates. The call will broadcast live on Brinker's website today, January 27, 2021 at 9 a.m. CST:

http://investors.brinker.com/events/event-details/q2-2021-brinker-international-earnings-conference-call

For those who are unable to listen to the live broadcast, a replay of the call will be available shortly thereafter and

will remain on Brinker's website until the end of the day February 10, 2021.

Additional financial information, including statements of income which detail operations excluding special items, franchise and other revenues, and comparable restaurant sales trends by brand, is also available on Brinker's website under the Financial Information section of the Investor tab.

Forward Calendar

- SEC Form 10-Q for the second quarter of fiscal 2021 filing on or before February 1, 2021
- Earnings release call for the third quarter of fiscal 2021 on April 28, 2021

Non-GAAP Measures

Brinker management uses certain non-GAAP measures in analyzing operating performance and believes that the presentation of these measures in this release provides investors with information that is beneficial to gaining an understanding of the Company's financial results. Non-GAAP disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP measures are included in the tables below.

About Brinker

Brinker International, Inc. is one of the world's leading casual dining restaurant companies. Based in Dallas, Texas, as of December 23, 2020, Brinker owned, operated, or franchised 1,655 restaurants under the names Chili's® Grill & Bar (1,601 restaurants) and Maggiano's Little Italy® (54 restaurants).

Forward-Looking Statements

The statements and tables contained in this release 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 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, and are currently, or in the future could be, amplified by the novel strain of the coronavirus ("COVID-19") pandemic. Such risks and uncertainties include, among other things, uncertainty of the magnitude, duration, geographic reach and impact of the COVID-19 pandemic on local, national and global economies; the current, and uncertain future, impact of the COVID-19 pandemic and governments' responses to it on our industry, business, growth, reputation, projections, prospects, financial condition, operations, cash flows,

and liquidity; the adequacy or effectiveness of steps we take to respond to the COVID-19 crisis, including cost reduction or other mitigation programs; the impact of competition; changes in consumer preferences; consumer perception of food safety; reduced disposable income; unfavorable publicity; increased minimum wages; governmental regulations; the impact of mergers, acquisitions, divestitures and other strategic transactions; the Company's ability to meet its business strategy plan; loss of key management personnel; failure to hire and retain high-quality restaurant management; the impact of social media; failure to protect the security of data of our guests and team members; product availability; regional business and economic conditions; litigation; franchisee success; inflation; changes in the retail industry; technology failures; failure to protect our intellectual property; outsourcing; impairment of goodwill or assets; failure to maintain effective internal control over financial reporting; actions of activist shareholders; adverse weather conditions; terrorist acts; health epidemics or pandemics (such as COVID-19); and tax reform; as well as the risks and uncertainties described in "Risk Factors" in our Annual Report on Form 10-K and future filings with the Securities and Exchange Commission.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 23, 2020	December 25, 2019	December 23, 2020	December 25, 2019
Revenues				
Company sales	$ 746.2	$ 847.5	$ 1,474.4	$ 1,611.4
Franchise and other revenues[1]	14.5	21.8	26.4	43.9
Total revenues	760.7	869.3	1,500.8	1,655.3
Operating costs and expenses				
Food and beverage costs	198.9	223.1	392.4	426.9
Restaurant labor	255.8	291.8	503.8	560.3
Restaurant expenses	211.3	224.7	413.8	432.0
Depreciation and amortization	37.2	39.3	74.6	77.4
General and administrative	30.0	34.6	60.5	72.6
Other (gains) and charges[2]	5.4	12.3	9.2	11.4
Total operating costs and expenses	738.6	825.8	1,454.3	1,580.6
Operating income	22.1	43.5	46.5	74.7
Interest expenses	14.4	15.0	29.0	29.9
Other income, net	(0.5)	(0.5)	(0.9)	(1.0)
Income before income taxes	8.2	29.0	18.4	45.8
Provision (benefit) for income taxes	(3.8)	1.1	(4.3)	3.0
Net income	$ 12.0	$ 27.9	$ 22.7	$ 42.8
Basic net income per share	$ 0.26	$ 0.75	$ 0.50	$ 1.14
Diluted net income per share	$ 0.26	$ 0.73	$ 0.49	$ 1.12
Basic weighted average shares outstanding	45.3	37.4	45.2	37.4
Diluted weighted average shares outstanding	46.1	38.1	45.9	38.1
Other comprehensive income (loss)				
Foreign currency translation adjustments[3]	$ 0.5	$ 0.1	$ 0.8	$ (0.1)
Other comprehensive income (loss)	0.5	0.1	0.8	(0.1)
Comprehensive income	$ 12.5	$ 28.0	$ 23.5	$ 42.7

(1) Franchise and other revenues include royalties, delivery service income, gift card breakage, franchise advertising fees, digital entertainment revenues, Maggiano's banquet service charge income, franchise and development fees, gift card discount costs from third-party gift card sales and merchandise income.

(2) Other (gains) and charges included in the Consolidated Statements of Comprehensive Income (Unaudited) included (in millions):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 23, 2020	December 25, 2019	December 23, 2020	December 25, 2019
Restaurant impairment charges	$ 2.5	$ 4.6	$ 2.5	$ 4.6
COVID-19 related charges	1.0	—	2.2	—
Restaurant closure charges	0.4	2.9	1.9	3.1
Remodel-related costs	0.7	0.8	0.9	1.5
Lease modification gain, net	—	—	(0.5)	(3.1)
Acquisition of franchise restaurants costs, net	—	2.0	—	1.5
Other	0.8	2.0	2.2	3.8
	$ 5.4	$ 12.3	$ 9.2	$ 11.4

(3) Foreign currency translation adjustment included in our Comprehensive income in the Consolidated Statements of Comprehensive Income (Unaudited) represents the unrealized impact of translating the financial statements of our Canadian restaurants from Canadian dollars to U.S. dollars. This amount is not included in Net income and would only be realized upon disposition of these restaurants.

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

	December 23, 2020	June 24, 2020
ASSETS		
Total current assets	$ 265.8	$ 224.4
Net property and equipment	765.9	805.3
Operating lease assets	1,039.2	1,054.6
Deferred income taxes, net	53.5	38.2
Other assets	233.3	233.5
Total assets	$ 2,357.7	$ 2,356.0
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Total current liabilities	$ 520.3	$ 497.9
Long-term debt and finance leases, less current installments	1,134.6	1,208.5
Long-term operating lease liabilities, less current portion	1,040.2	1,061.6

Other liabilities	106.7	67.1
Total shareholders' deficit	(444.1)	(479.1)
Total liabilities and shareholders' deficit	$ 2,357.7	$ 2,356.0

Of the 1,118 Company-owned restaurants, at December 23, 2020, we own both the building and land for 42 restaurants. The related book values associated with these restaurants included land of $33.1 million and buildings of $12.2 million.

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

	Twenty-Six Week Periods Ended	
	December 23, 2020	December 25, 2019
Cash flows from operating activities		
Net income	$ 22.7	$ 42.8
Adjustments to reconcile Net income to Net cash provided by operating activities:		
Depreciation and amortization	74.6	77.4
Stock-based compensation	6.9	9.7
Restructure charges and other impairments	3.8	6.1
Net loss on disposal of assets	0.8	0.5
Other	1.7	1.3
Changes in assets and liabilities	19.5	4.5
Net cash provided by operating activities	130.0	142.3
Cash flows from investing activities		
Payments for property and equipment	(37.1)	(51.4)
Proceeds from note receivable	1.3	1.4
Proceeds from sale of assets	1.3	0.3
Payments for franchise restaurant acquisitions	—	(96.2)
Net cash used in investing activities	(34.5)	(145.9)
Cash flows from financing activities		
Payments on revolving credit facility	(95.0)	(416.0)
Borrowings on revolving credit facility	28.4	463.0
Payments on long-term debt	(9.8)	(5.0)
Purchases of treasury stock	(3.9)	(11.3)
Payments for debt issuance costs	(2.2)	(1.0)
Payments of dividends	(1.3)	(29.0)
Proceeds from issuance of treasury stock	8.5	1.5
Net cash (used in) provided by financing activities	(75.3)	2.2
Net change in cash and cash equivalents	20.2	(1.4)
Cash and cash equivalents at beginning of period	43.9	13.4
Cash and cash equivalents at end of period	$ 64.1	$ 12.0

BRINKER INTERNATIONAL, INC.
Restaurant Summary

		New Openings Fiscal 2021		
Total Restaurants Open at December 23, 2020	Total Restaurants Open at December 25, 2019	Second Quarter Openings	Fiscal Year Openings	Full Year Projected Openings

Company-owned restaurants					
Chili's domestic	1,061	1,060	1	4	8
Chili's international	5	5	—	—	—
Maggiano's domestic	52	52	—	—	—
Total Company-owned	1,118	1,117	1	4	8
Franchise restaurants					
Chili's domestic	171	180	—	1	2
Chili's international	364	377	1	4	6-9
Maggiano's domestic	2	1	1	1	1
Total franchise	537	558	2	6	9-12
Total Company-owned and franchise					
Chili's domestic	1,232	1,240	1	5	10
Chili's international	369	382	1	4	6-9
Maggiano's domestic	54	53	1	1	1
Total	1,655	1,675	3	10	17-20
			Relocation Openings		
Chili's domestic Company-owned relocations			1	2	2

NON-GAAP INFORMATION AND RECONCILIATIONS
Comparable Restaurant Sales
Q2 21 and Q2 20

	Comparable Restaurant Sales[1]		Price Impact		Mix-Shift[3]		Traffic	
	Q2:21 vs 20[2]	Q2:20 vs 19	Q2:21 vs 20	Q2:20 vs 19	Q2:21 vs 20	Q2:20 vs 19	Q2:21 vs 20	Q2:20 vs 19
Company-owned	(12.1) %	1.5 %	0.4 %	1.4 %	(7.7) %	0.3 %	(4.8) %	(0.2) %
Chili's	(6.3) %	2.0 %	0.5 %	1.4 %	(5.0) %	0.5 %	(1.8) %	0.1 %
Maggiano's	(47.0) %	(1.4) %	0.7 %	1.4 %	(9.9) %	0.0 %	(37.8) %	(2.8) %
Chili's franchise[4]	(9.0) %	(0.4) %						
U.S.	(4.7) %	0.2 %						
International	(16.2) %	(0.9) %						
Chili's domestic[5]	(6.1) %	1.7 %						
System-wide[6]	(11.7) %	1.0 %						

(1) Comparable Restaurant Sales include all restaurants that have been in operation for more than 18 months except acquired restaurants which are included after 12 months of ownership. Restaurants temporarily closed 14 days or more are excluded from comparable restaurant sales.
(2) Percentage amounts are calculated based on the comparable periods year-over-year.
(3) Comparable Restaurant Sales for Q2:21 vs 20 include the results of It's Just Wings, a virtual brand launched nationally in June 2020. Mix-Shift is calculated as the year-over-year percentage change in Company sales resulting from the change in menu items ordered by guests.
(4) Chili's franchise sales generated by franchisees are not included in revenues in the Consolidated Statements of Comprehensive Income (Unaudited); however, we generate royalty revenues and advertising fees based on franchisee revenues, where applicable. We believe presenting Chili's franchise comparable restaurant sales provides investors information regarding brand performance that is relevant to current operations.
(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 Company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchise-operated Chili's restaurants.

Reconciliation of Net Income Excluding Special Items (in millions, except per share amounts)

Brinker believes excluding special items from its financial results provides investors with a clearer perspective of the Company's ongoing operating performance and a more relevant comparison to prior period results.

	Second Quarter			
	Q2 21	EPS Q2 21	Q2 20	EPS Q2 20
Net income - GAAP	$ 12.0	$ 0.26	$ 27.9	$ 0.73
Special items[1]	5.5	0.12	13.8	0.36
Income tax effect related to special items[2]	(1.4)	(0.03)	(3.3)	(0.08)
Special items, net of taxes	4.1	0.09	10.5	0.28
Adjustment for special tax items[3]	0.0	0.00	0.0	0.00
Net income, excluding special items - Non-GAAP	$ 16.1	$ 0.35	$ 38.4	$ 1.01

(1) Special items in the second quarter of fiscal 2021 consist of a charge of $5.4 million in Other (gains) and charges that included charges related to the COVID-19 pandemic, and $0.1 million of incremental depreciation expenses associated with a change in estimated useful life of certain restaurant-level long-lived assets. Special items in the second quarter of fiscal 2020 consist of $12.3 million in Other (gains) and charges and $1.5 million of incremental depreciation expenses associated with a change in estimated useful life of certain restaurant-level long-lived assets.

(2) Income tax effect related to special items is based on the statutory tax rate in effect at the end of each period presented.

(3) Adjustment for special tax items in the second quarter of fiscal 2021 and the second quarter of fiscal 2020 was negligible.

Reconciliation of Restaurant Operating Margin (in millions, except percentages)

	Second Quarter	
	Q2 21	Q2 20
Operating income - GAAP	$ 22.1	$ 43.5
Operating income as a percentage of Total revenues	2.9 %	5.0 %
Operating income - GAAP	$ 22.1	$ 43.5
Less: Franchise and other revenues	(14.5)	(21.8)
Plus: Depreciation and amortization	37.2	39.3
General and administrative	30.0	34.6
Other (gains) and charges	5.4	12.3
Restaurant operating margin - non-GAAP	$ 80.2	$ 107.9
Restaurant operating margin as a percentage of Company sales	10.7 %	12.7 %

Restaurant operating margin is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative to operating income as an indicator of financial performance.

Restaurant operating margin is widely regarded in the restaurant industry as a useful metric by which to evaluate restaurant-level operating efficiency and performance of ongoing restaurant-level operations. This non-GAAP measure is not indicative of overall Company performance and profitability because this measure does not directly accrue benefit to the shareholders due to the nature of costs excluded. We define Restaurant operating margin as Company sales less Food and beverage costs, Restaurant labor and Restaurant expenses. We believe this metric provides a more useful comparison between periods and enables investors to focus on the performance of restaurant-level operations by excluding revenues not related to food and beverage sales at Company-owned restaurants, corporate General and administrative expenses, Depreciation and amortization, and Other (gains) and charges.

Restaurant operating margin excludes Franchise and other revenues which are earned primarily from franchise royalties, advertising fees, and other non-food and beverage revenues streams such as delivery service income, gift card breakage, banquet service charges and digital entertainment revenues. Depreciation and amortization expenses, substantially all of which are related to restaurant-level assets, are excluded because such expenses represent historical costs which do not reflect current cash outlays for the restaurants. General and administrative expenses include primarily non-restaurant-level costs associated with support of the restaurants and other activities at our corporate offices and are therefore excluded. We believe that excluding special items, included within Other (gains) and charges, from Restaurant operating margin provides investors with a clearer perspective of the Company's ongoing operating performance and a more useful comparison to prior period results. Restaurant operating margin as presented may not be comparable to other similarly titled measures of other companies in our industry.

Reconciliation of Free Cash Flow (in millions)

Brinker believes presenting free cash flow provides a useful measure to evaluate the cash flow available for reinvestment after considering the capital requirements and expenditures of our business operations.

	Twenty-Six Week Period Ended December 23, 2020
Cash flows provided by operating activities - GAAP	$ 130.0
Capital expenditures	(37.1)
Free cash flow - non-GAAP	$ 92.9

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