

BRINKER INTERNATIONAL REPORTS THIRD QUARTER OF FISCAL 2023 RESULTS



NEWS PROVIDED BY
Brinker International Payroll Company, L.P.
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DALLAS, May 3, 2023 /PRNewswire/ -- Brinker International, Inc. (NYSE: [EAT](#)) today announced its financial results, for the third quarter ended March 29, 2023.

Third Quarter Fiscal 2023 Financial Highlights

Brinker International reported net income per diluted share of \$1.12, in the third quarter of fiscal 2023, a 38% increase compared to the third quarter of fiscal 2022. Net income per diluted share, excluding special items (non-GAAP), was \$1.23 in the third quarter of fiscal 2023, a 33.7% increase compared to the third quarter of fiscal 2022. Our results for the third quarter of fiscal 2023 were driven by an increase in company sales as well as improved food, beverage, and labor costs. Chili's comparable restaurant sales were 9.6% and Maggiano's were 21.6% resulting in a 10.8% increase for Brinker. Comparable restaurant sales improved due to menu pricing and favorable item mix. These operational improvements resulted in operating income margin increasing to 5.9% and restaurant operating margin (non-GAAP) increasing to 13.4% for the third quarter. Chili's initiated an updated marketing strategy focused on TV, digital, and social media advertising and continued to improve the guest experience by strengthening investments in restaurant facilities and labor.

"We are pleased to report quarterly operating performance for Brinker International that represents a nice step forward for our strategy, enabling us to make needed investments into the business, translating into an improved guest experience," said Kevin Hochman, Chief Executive Officer and President of Brinker International. "In the quarter, we also reengaged our Guests with a broader Chili's marketing campaign including TV, digital and social media. The campaign was well received by our Guests and is clearly a sales lever we can use to drive future results."

Third Quarter Financial Results

	Third Quarter		
	2023	2022	Variance
Company sales ⁽¹⁾	\$ 1,072.9	\$ 970.9	\$ 102.0
Total revenues	\$ 1,083.2	\$ 980.4	\$ 102.8
Operating income	\$ 64.2	\$ 49.4	\$ 14.8
Operating income as a percentage of Total revenues	5.9 %	5.0 %	0.9 %
Restaurant operating margin, non-GAAP ⁽¹⁾⁽²⁾	\$ 143.3	\$ 127.4	\$ 15.9
Restaurant operating margin as a percentage of Company sales, non-GAAP ⁽¹⁾⁽²⁾	13.4 %	13.1 %	0.3 %
Net income	\$ 50.7	\$ 36.6	\$ 14.1
Adjusted EBITDA, non-GAAP ⁽²⁾	\$ 113.0	\$ 97.7	\$ 15.3
Net income per diluted share	\$ 1.12	\$ 0.81	\$ 0.31
Net income per diluted share, excluding special items, non-GAAP ⁽²⁾	\$ 1.23	\$ 0.92	\$ 0.31

Comparable Restaurant Sales⁽³⁾

	Q3:23 vs 22
Brinker	10.8 %
Chili's	9.6 %
Maggiano's	21.6 %

(1)

(2) Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section below for more details.

(3) See Non-GAAP Information and Reconciliations section below for more details.

Comparable Restaurant Sales include restaurants that have been in operation for more than 18 full months. Restaurants temporarily closed for 14 days or more are excluded from comparable restaurant sales. Percentage amounts are calculated based on the comparable periods year-over-year.

Effective for the first quarter of fiscal 2023, we are presenting certain revenue streams within Company sales to better align with the presentation used within the casual dining industry. Our presentation of Franchise revenues will now include only revenues related to the franchise-operated restaurants. Comparative figures in prior years have been adjusted to conform to the current year's presentation. These reclassifications have no effect on Total revenues or Net income previously reported.

Company sales include revenues generated by the operation of Company-owned restaurants including food and beverage sales, net of discounts, gift card breakage, Maggiano's banquet service charge income, delivery, digital entertainment revenues, merchandise income and gift card discount costs from third-party gift card sales.

Franchise revenues include franchise royalties, franchise advertising fees, franchise and development fees and gift card program fees.

Third Quarter of Fiscal 2023 Operating Performance

Segment Performance

The table below presents selected financial information (in millions, except as noted) related to our segments' operational performance for the thirteen week periods ended March 29, 2023 and March 30, 2022:

	Chili's			Maggiano's		
	Third Quarter			Third Quarter		
	2023	2022	Variance	2023	2022	Variance
Company sales ⁽¹⁾	\$ 953.2	\$ 870.2	\$ 83.0	\$ 119.7	\$ 100.7	\$ 19.0
Franchise revenues ⁽¹⁾	10.2	9.4	0.8	0.1	0.1	—
Total revenues	\$ 963.4	\$ 879.6	\$ 83.8	\$ 119.8	\$ 100.8	\$ 19.0
Company restaurant expenses ⁽²⁾	\$ 827.4	\$ 755.8	\$ 71.6	\$ 101.9	\$ 87.5	\$ 14.4
Company restaurant expenses as a % of Company sales ⁽¹⁾	86.8 %	86.9 %	(0.1) %	85.1 %	86.9 %	(1.8) %
Operating income	\$ 88.3	\$ 73.2	\$ 15.1	\$ 12.2	\$ 7.6	\$ 4.6
Operating income as a % of Total revenues	9.2 %	8.3 %	0.9 %	10.2 %	7.5 %	2.7 %
Restaurant operating margin - non-GAAP ⁽¹⁾⁽³⁾	\$ 125.8	\$ 114.4	\$ 11.4	\$ 17.8	\$ 13.2	\$ 4.6
Restaurant operating margin as a % of Company sales - non-GAAP ⁽¹⁾⁽³⁾	13.2 %	13.1 %	0.1 %	14.9 %	13.1 %	1.8 %

(1)

(2) Certain reclassifications have been made to prior year revenue amounts to enhance comparability to the fiscal 2023 presentation. See Basis of Presentation section above for more details.

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.

(3) See Non-GAAP Information and Reconciliations section below for more details.

Chili's

- Chili's Company sales increased primarily due to increased menu pricing, favorable menu item mix, and higher dine-in traffic, partially offset by lower off-premise traffic.
- Chili's Company restaurant expenses, as a percentage of Company sales, decreased slightly primarily due to sales leverage, offset by commodity price inflation, higher hourly labor expenses due to an increase in hourly wage rates and staffing levels, advertising, manager salaries and bonus, repair and maintenance expenses, utilities, and rent expense.
- Chili's franchisees generated sales of approximately \$213.6 million for the third quarter of fiscal 2023 compared to \$190.4 million for the third quarter of fiscal 2022.

Maggiano's

- Maggiano's Company sales increased primarily due to higher dining room and banquet traffic, increased menu pricing and favorable menu item mix.
- Maggiano's Company restaurant expenses, as a percentage of Company sales, decreased primarily due to sales leverage. The decreases were partially offset by higher hourly labor due to an increase in hourly wage rates and staffing levels, commodity price inflation, manager salaries, repair and maintenance expenses, delivery expenses, property taxes, and utilities.

Income Taxes

- On a GAAP basis, the effective income tax rate was a benefit of 0.2% in the third quarter of fiscal 2023. The effective income tax rate is lower than the statutory rate of 21% due primarily to leverage of the FICA tip credit and the impact of aligning fiscal 2023 year-to-date tax expense with the current estimated annual tax rate. Excluding the impact of special items, the effective income tax rate was an expense of 2.5% in the third quarter of fiscal 2023.

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 be broadcast live on Brinker's website today, May 3, 2023 at 9 a.m. CDT:

<http://investors.brinker.com/events/event-details/q3-2023-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 website until at least the end of the day May 17, 2023.

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

Forward Calendar

- SEC Form 10-Q for the third quarter of fiscal 2023 filing on or before May 8, 2023
- Earnings release call for the fourth quarter of fiscal 2023 on August 16, 2023

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 and home of Chili's® Grill & Bar, Maggiano's Little Italy® and the It's Just Wings® virtual brand: Founded in 1975 in Dallas, Texas, we've ventured far from home, but stayed true to our roots. Brinker owns, operates or franchises more than 1,600 restaurants in 29 countries and two U.S. territories. Our passion is making people feel special, and we hope you feel that passion each time you visit one of our restaurants or invite us into your home through takeout or delivery. Learn more about Brinker and its brands at brinker.com.