

## Brinker International Announces Third Quarter Fiscal 2008 Results

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Brinker International, Inc. (NYSE:EAT) announced fiscal 2008 third quarter earnings per diluted share from continuing operations decreased to \$0.17 from \$0.37 in the prior year. Before special items, earnings per diluted share from continuing operations decreased to \$0.33 from \$0.37 in the prior year.

During the first quarter of fiscal 2008, the company began presenting Romano's Macaroni Grill as discontinued operations in its financial statements due to management's intent to sell the brand. Before special items, earnings per diluted share from discontinued operations increased from \$0.07 in the third quarter of fiscal 2007 to \$0.11 in the current quarter primarily driven by a decrease in depreciation expense due to the classification of assets held for sale beginning in fiscal 2008 (reconciliation included in Table 4). All amounts presented in this release are related to continuing operations unless otherwise stated.

During the third quarter, Brinker experienced encouraging trends in comparable restaurant sales which grew 1.1 percent. "We have made progress with top-line growth during the past quarter," stated Doug Brooks, Chairman and CEO. "Aligning our company on the areas of focus will allow Brinker to grow its business within existing restaurants."

### Quarterly Revenues

Brinker reported revenues from continuing operations for the 13-week period of \$907.7 million, a decrease of 3.9 percent compared with \$944.0 million reported for the same period of fiscal 2007. The company experienced a 1.1 percent increase in comparable restaurant sales (see Table 1) in the third quarter of fiscal 2008. However, this increase was more than offset by a net decline in capacity of 6.7 percent due to sales of restaurants to franchisees and restaurant closures outpacing growth in company-owned restaurants during the past year. In contrast, royalty revenues from franchisees increased approximately 75 percent to \$15.7 million from \$9.0 million in the prior year.

Table 1: Q3 comparable restaurant sales  
Q3 08 and Q3 07, company and three reported brands, percentage

	Q3 08 Comparable Sales	Q3 07 Comparable Sales	Q3 08 Pricing Impact	Q3 08 Mix-Shift
Brinker International	1.1%	(4.4%)	3.1%	0.3%
Chili's	1.6%	(4.4%)	3.2%	0.9%
On The Border	(1.8%)	(5.7%)	2.8%	(1.0%)
Maggiano's	(0.4%)	(3.0%)	2.9%	(2.0%)

### Quarterly Operating Performance

Cost of sales, as a percent of revenues, increased from 28.4 percent in the prior year to 28.9 percent in the third quarter of fiscal 2008. During the quarter, cost of sales was negatively impacted by unfavorable commodity prices, primarily beef, ribs, chicken and dairy products, and unfavorable product mix shifts related to new menu items, partially offset by favorable menu price changes and increased revenues from franchisees.

Restaurant expenses, as a percent of revenues, increased to 56.1 percent from 55.5 percent in the prior year primarily driven by increased labor and restaurant supply costs, partially offset by increased revenues from franchisees and lower pre-opening expenses.

Depreciation and amortization increased \$1.3 million primarily driven by depreciation expense related to the addition of new restaurants and remodel investments. This increase was partially offset by the sale of 172 company-owned restaurants to franchisees over the past 12 months as well as an increase in fully depreciated assets and restaurant closures.

Compared to the prior year, general and administrative expense decreased \$2.5 million for the quarter primarily due to reduced salary and team member related expenses resulting from the company's efforts to evolve its corporate structure to align with the increased mix of franchise restaurants as well as the expected decline in future company-owned restaurant development.

Other gains and charges increased from a gain of \$1.0 million a year ago primarily resulting from the sale of a company-owned restaurant to a charge of \$26.3 million in the third quarter of fiscal 2008. During the current quarter, the company evaluated its existing portfolio of assets for strategic fit as well as the infrastructure needed to support its evolving business model. As a result, management made the decision to close or decline lease renewals for 21 restaurants and further refined its planned reduction in domestic restaurant development to approximately 70 in fiscal 2008, approximately 15 in fiscal 2009 and even fewer in fiscal 2010. The charges related to these decisions are primarily comprised of asset impairments and write-offs, lease termination fees and severance costs. Details of the current quarter charge are outlined below:

Table 2: Detail of Other Gains and Charges  
Q3 08, \$ millions and \$ per diluted share after-tax

Item	\$	\$	\$
	Before tax	After tax	EPS
Development-related costs	12.1	7.6	0.07
Restaurant closures	9.0	5.6	0.06
Severance	5.2	3.3	0.03
Total Other Gains and Charges	26.3	16.5	0.16

Interest expense increased \$4.4 million primarily due to additional debt outstanding of \$400 million borrowed under a three-year term loan used primarily to fund share repurchases in fiscal 2007 and for general corporate purposes.

The effective income tax rate, before special items, decreased to 28.1 percent for the current quarter as compared to 29.7 percent for the same quarter last year. The decrease in the tax rate was primarily due to an increase in federal tax credits, leverage from FICA tip credits and a decrease in incentive stock option expense.

The company incurred a loss from discontinued operations of \$56.0 million during the third quarter of fiscal 2008 as compared to income from discontinued operations of \$7.5 million in the prior year. The decrease in income is due to charges of \$67.1 million, net of tax, primarily related to the write-down of Macaroni Grill assets held for sale to estimated fair value less costs to sell as well as asset write-offs and costs resulting from the company's decision to close 25 restaurants in connection with its efforts to sell the brand.

Income from discontinued operations, before special items, increased to \$11.1 million in the current quarter from \$8.9 million a year ago (reconciliation included in Table 4). This increase was primarily driven by a decrease in depreciation expense due to the classification of assets held for sale beginning in fiscal 2008, partially offset by a 4.4 percent decline in comparable restaurant sales at Macaroni Grill as well as increased operating costs.

#### Cash Flow and Capital Allocation

Cash flow from operations for the first nine months of fiscal 2008 decreased to approximately \$255.8 million compared to \$336.4 million in the prior year due to lower adjusted earnings, reduced income taxes payable and the timing of operational payments and receipts.

Capital expenditures through the third quarter of fiscal 2008 totaled \$211.5 million, a reduction of \$76.4 million compared to the prior year, primarily due to a decrease in new restaurants developed by the company. Total capital expenditures for fiscal 2008 are currently estimated to be approximately \$265 million, with \$150 million relating to new restaurants. Growth in fiscal 2009 will be primarily fueled by franchise openings of approximately 75 to 85 restaurants, while domestic company-owned growth will slow to approximately 15 restaurants. Accordingly, fiscal 2009 capital expenditures are expected to be approximately \$185 to \$190 million with \$40 million allocated to new restaurant development, \$25 to \$30 million attributable to Chili's reimages, \$25 to \$30 million invested primarily in kitchen technology and the remainder primarily relating to capital expenditure maintenance programs.

The company repurchased 9.1 million common shares during the first nine months of fiscal 2008. At the end of the quarter, approximately \$60 million remained available under the company's share authorizations. Diluted weighted average shares outstanding for the third quarter were reduced over 18 percent to 102.4 million from 125.7 million at the end of the third quarter fiscal 2007.

#### Special Items

Table 3: Reconciliation of income from continuing operations, before special items

Item	Q3 08 and Q3 07, \$ millions and \$ per diluted share after-tax			
	\$	EPS	\$	EPS
Income from Continuing Operations	17.2	0.17	47.1	0.37
Other (Gains) and Charges	16.5	0.16	(0.6)	0.00
Income from Continuing Operations, before Special Items	33.7	0.33	46.5	0.37

Table 4: Reconciliation of income (loss) from discontinued operations, before special items

Item	Q3 08 and Q3 07, \$ millions and \$ per diluted share after-tax			
	\$	EPS	\$	EPS
Income (Loss) from Discontinued Operations	(56.0)	(0.55)	7.5	0.06
Other (Gains) and Charges	67.1	0.66	1.4	0.01
Income from Discontinued Operations, before Special Items	11.1	0.11	8.9	0.07

Table 5: Reconciliation of net income (loss), before special items

Item	Q3 08 and Q3 07, \$ millions and \$ per diluted share after-tax			
	\$	EPS	\$	EPS
Net Income (Loss)	(38.8)	(0.38)	54.6	0.43
Other (Gains) and Charges	83.6	0.82	0.8	0.01
Net Income, before Special Items	44.8	0.44	55.4	0.44

At the end of the third quarter of fiscal 2008, Brinker International either owned, operated, or franchised 1,868 restaurants under the names Chili's Grill & Bar (1,439 restaurants), Romano's Macaroni Grill (224 restaurants), On The Border Mexican Grill & Cantina (163 restaurants), and Maggiano's Little Italy (42 restaurants).

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