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 September 24, 2008

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)

(972) 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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o
Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 29, 2008**
Common Stock, $0.10 par value	101,840,350 shares

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BRINKER INTERNATIONAL, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	September 24, 2008 (Unaudited)	June 25, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 57,322	$ 54,714
Accounts receivable	43,941	52,304
Inventories	32,505	35,377
Prepaid expenses and other	103,362	106,183
Deferred income taxes	69,962	71,595
Assets held for sale	138,256	135,850
Total current assets	445,348	456,023
Property and Equipment at Cost:		
Land	197,826	198,554
Buildings and leasehold improvements	1,597,882	1,571,601
Furniture and equipment	642,575	665,271
Construction-in-progress	18,847	35,104
	2,457,130	2,470,530
Less accumulated depreciation and amortization	(946,862)	(940,815)
Net property and equipment	1,510,268	1,529,715
Other Assets:		
Goodwill	139,831	140,371
Deferred income taxes	22,935	23,160
Other	43,618	43,853
Total other assets	206,384	207,384
Total assets	$ 2,162,000	$ 2,193,122
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 2,028	$ 1,973
Accounts payable	136,415	168,619
Accrued liabilities	324,284	331,878
Income taxes payable	3,124	5,946
Liabilities associated with assets held for sale	19,502	18,408
Total current liabilities	485,353	526,824
Long-term debt, less current installments	894,095	901,604
Other liabilities	171,954	169,605

Commitments and Contingencies (Note 7)				
Shareholders Equity:				
Common stock 250,000,000 authorized shares; $0.10 par value; 176,246,649 shares issued and 101,838,701 shares outstanding at September 24, 2008, and 176,246,649 shares issued and 101,316,461 shares outstanding at June 25, 2008		17,625		17,625
Additional paid-in capital		456,373		464,666
Accumulated other comprehensive loss		(769)		(168)
Retained earnings		1,812,885		1,800,300
		2,286,114		2,282,423
Less treasury stock, at cost (74,407,948 shares at September 24, 2008 and 74,930,188 shares at June 25, 2008)		(1,675,516)		(1,687,334)
Total shareholders equity		610,598		595,089
Total liabilities and shareholders equity	$	2,162,000	$	2,193,122

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.

Consolidated Statements of Income

(In thousands, except per share amounts)

(Unaudited)

	Thirteen Week Periods Ended	
	September 24, 2008	September 26, 2007
Revenues	$ 984,407	$ 1,054,686
Operating Costs and Expenses:		
Cost of sales	278,967	291,738
Restaurant expenses	579,127	601,878
Depreciation and amortization	41,156	44,907
General and administrative	39,764	43,051
Other gains and charges	4,953	8,591
Total operating costs and expenses	943,967	990,165
Operating income	40,440	64,521
Interest expense	9,457	12,915
Other, net	(1,372)	(1,257)
Income before provision for income taxes	32,355	52,863
Provision for income taxes	8,574	15,263
Net income	$ 23,781	$ 37,600
Basic net income per share	$ 0.23	$ 0.35
Diluted net income per share	$ 0.23	$ 0.34
Basic weighted average shares outstanding	101,630	106,464
Diluted weighted average shares outstanding	102,762	109,155
Cash dividends per share	$ 0.11	$ 0.09

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Thirteen Week Periods Ended September 24, 2008	Thirteen Week Periods Ended September 26, 2007
Cash Flows from Operating Activities:		
Net income	$ 23,781	$ 37,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,156	44,907
Restructure charges and other impairments	5,241	8,591
Stock-based compensation	5,088	2,593
Deferred income taxes	1,858	(5,799)
Changes in assets and liabilities, excluding effects of dispositions:		
Accounts receivable	8,363	7,856
Inventories	2,233	2,607
Prepaid expenses and other	2,942	3,394
Other assets	31	(1,118)
Accounts payable	(26,825)	1,650
Accrued liabilities	(10,368)	(11,061)
Income taxes payable	(2,970)	4,046
Other liabilities	2,851	(2,373)
Net cash provided by operating activities	53,381	92,893
Cash Flows from Investing Activities:		
Payments for property and equipment	(31,253)	(76,856)
Proceeds from sale of assets	934	
Increase in restricted cash	(121)	
Net cash used in investing activities	(30,440)	(76,856)
Cash Flows from Financing Activities:		
Net (payments) borrowings on credit facilities	(7,000)	126,500
Payments on long-term debt	(296)	(266)
Purchases of treasury stock	(3,625)	(140,489)
Proceeds from issuances of treasury stock	2,062	1,680
Payments of dividends	(11,701)	(9,509)
Excess tax benefits from stock-based compensation	227	167
Net cash used in financing activities	(20,333)	(21,917)
Net change in cash and cash equivalents	2,608	(5,880)
Cash and cash equivalents at beginning of period	54,714	84,823
Cash and cash equivalents at end of period	$ 57,322	$ 78,943

See accompanying notes to consolidated financial statements.

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BRINKER INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. BASIS OF PRESENTATION

References to Brinker, the Company, we, us, and our in this Form 10-Q are references to Brinker International, Inc. and its subsidiaries and a predecessor companies of Brinker International, Inc.

Our consolidated financial statements as of September 24, 2008 and June 25, 2008 and for the thirteen week periods ended September 24, 2008 and September 26, 2007 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). We are principally engaged in the ownership, operation, development, and franchising of the Chili s Grill & Bar (Chili s), On The Border Mexican Grill & Cantina (On The Border), Maggiano s Little Italy (Maggiano s) and Romano s Macaroni Grill (Macaroni Grill) restaurant brands. In August 2008, we entered into an agreement with Mac Acquisition LLC, an affiliate of Golden Gate Capital, for the sale of a majority interest in Macaroni Grill. See Note 4 for additional disclosures.

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 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 accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 25, 2008 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to fiscal 2009 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings 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 per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method. We had approximately 7.6 million stock options and restricted share awards outstanding at September 24, 2008 and 1.1 million stock options and restricted share awards outstanding at September 26, 2007 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

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3. OTHER GAINS AND CHARGES

In the first quarter of fiscal 2009, we recorded $5.0 million in charges including $2.0 million in lease termination charges, a $1.7 million charge related to uninsured hurricane damage and a $1.3 million charge for expenses associated with the pending sale of Macaroni Grill.

In the first quarter of fiscal 2008, other gains and charges consists primarily of a $9.2 million impairment charge to write-down the net assets of certain Macaroni Grill restaurants to their fair value less costs to sell to a franchisee.

4. ASSETS HELD FOR SALE

In August 2008, we entered into an agreement with Mac Acquisition LLC, an affiliate of Golden Gate Capital, for the sale of a majority interest in Macaroni Grill. Per terms of the agreement, we will receive proceeds of $131.5 million in cash, of which $6.0 million will be contributed to the new entity for a 19.9% continuing ownership interest in the brand. We will also provide corporate support services for the new entity for one year with an option for one additional year. In accordance with the reporting provisions of SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS 144), we have classified the results of Macaroni Grill in continuing operations for fiscal 2009 and prior years as we will have significant continuing involvement in the operations of Macaroni Grill after the sale. The transaction is expected to close in the second quarter of fiscal 2009 subject to customary closing conditions. As of September 24, 2008, the assets to be sold totaled approximately $136.4 million and consisted primarily of property and equipment of $115.9 million. The associated liabilities totaled approximately $18.8 million and consisted primarily of straight-line rent accruals of $13.4 million.

5. SHAREHOLDERS EQUITY

The Board of Directors has authorized a total of $2,060.0 million of share repurchases. As of September 24, 2008, approximately $60 million was available under our share repurchase authorizations. We did not repurchase any common shares under our share repurchase plan during the first quarter of fiscal 2009. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In the future, we may consider additional share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. During the first quarter of fiscal 2009, approximately 640,000 restricted share awards vested with a fair value of $12.3 million. Approximately 190,000 of these shares were repurchased from employees upon vesting for $3.6 million to satisfy minimum tax withholding obligations. Repurchased common stock is reflected as a reduction of shareholders equity. We paid dividends of $11.7 million, or $0.11 per share, to common stock shareholders in September 2008.

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6. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest for the first quarter of fiscal 2009 and 2008 are as follows (in thousands):

	September 24, 2008	September 26, 2007
Income taxes, net of refunds	$ 9,340	$ 15,479
Interest, net of amounts capitalized	5,152	10,487

Non-cash investing activities for the first quarter of fiscal 2009 and 2008 are as follows (in thousands):

	September 24, 2008	September 26, 2007
Retirement of fully depreciated assets	$ 39,617	$ 19,076

7. CONTINGENCIES

As of September 24, 2008, we guaranteed lease payments totaling $154.5 million as a result of the sale of certain brands and the sale of restaurants to franchisees in previous periods. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2009 through fiscal 2023. We remain secondarily liable for the leases. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of September 24, 2008.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorney s fees and was certified as a class action in July 2006. On July 22, 2008, the California Court of Appeal decertified the class action on all claims with prejudice. On October 22, 2008 the California Supreme Court granted a writ to review the decision of the Court of Appeal. We intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

We are engaged in various other legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management, based upon consultation with legal counsel, 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 our consolidated financial condition or results of operations.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues for the periods indicated. All information is derived from the accompanying consolidated statements of income.

	Thirteen Week Periods Ended	
	September 24, 2008	September 26, 2007
Revenues	100.0%	100.0%
Operating Costs and Expenses:		
Cost of sales	28.4%	27.7%
Restaurant expenses	58.8%	57.1%
Depreciation and amortization	4.2%	4.2%
General and administrative	4.0%	4.1%
Other gains and charges	0.5%	0.8%
Total operating costs and expenses	95.9%	93.9%
Operating income	4.1%	6.1%
Interest expense	0.9%	1.2%
Other, net	(0.1)%	(0.1)%
Income before provision for income taxes	3.3%	5.0%
Provision for income taxes	(0.9)%	(1.4)%
Net income	2.4%	3.6%

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The following table details the number of restaurant openings during the first quarter, total restaurants open at the end of the first quarter, and total projected openings in fiscal 2009.

	First Quarter Openings		Total Open at End Of First Quarter		Projected Openings
	Fiscal 2009	Fiscal 2008	Fiscal 2009	Fiscal 2008	Fiscal 2009
Chili s:					
Company-owned	7	13	894	930	9-10
Domestic Franchised	10	5	410	308	30-35
Total	17	18	1,304	1,238	39-45
On The Border:					
Company-owned		2	131	134	
Domestic Franchised	3	2	33	28	9-12
Total	3	4	164	162	9-12
Maggiano s			42	41	2
Macaroni Grill:					
Company-owned			192	216	
Domestic Franchised	1	1	20	14	3-4
Total	1	1	212	230	3-4
International: (a)					
Company-owned	1		7	5	2
Franchised	10	4	182	151	36-41
Total	11	4	189	156	38-43
Grand Total	32	27	1,911	1,827	91-106

(a) At the end of the first quarter of fiscal year 2009, international company-owned restaurants by brand included six Chili s and one Macaroni Grill. International franchise restaurants by brand included 164 Chili s, five On The Border s, and 13 Macaroni Grill s.

At September 24, 2008, we owned the land and buildings for 281 of the 1,266 company-owned restaurants. The net book values of the land and buildings associated with these restaurants totaled $240.5 million and $233.2 million, respectively.

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GENERAL

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand Brinker International, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the quarters ended September 24, 2008 and September 26, 2007, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this quarterly report.

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili s Grill & Bar (Chili s), On The Border Mexican Grill & Cantina (On The Border), Maggiano s Little Italy (Maggiano s) and Romano s Macaroni Grill (Macaroni Grill) restaurant brands. At September 24, 2008, we owned, operated, or franchised 1,911 restaurants. In August 2008, we entered into an agreement with Mac Acquisition LLC, an affiliate of Golden Gate Capital, for the sale of a majority interest in Macaroni Grill. Per terms of the agreement, we will receive proceeds of $131.5 million in cash, of which $6.0 million will be contributed to the new entity for a 19.9% continuing ownership interest in the brand. We will also provide corporate support services for the new entity for one year with an option for one additional year. The transaction is expected to close in the second quarter of fiscal 2009 subject to customary closing conditions. Once the sale of the brand is complete, we will account for our interest in the ongoing operations through an equity method investment.

Our first quarter of fiscal 2009 proved to be even more challenging than anticipated with results reflecting disappointing sales and earnings. We continue to be negatively impacted by cost pressures for commodities, labor and utilities. Additionally, volatility in the financial markets and high fuel costs have caused consumers to be increasingly more conservative in their discretionary spending which has resulted in decreased traffic and lower average checks at our brands. This difficult operating environment highlights the need to be disciplined with our capital allocation and maintain the health of our balance sheet in order to provide a stable financial base to weather these uncertain times. As a result, we have reduced our planned capital expenditures by approximately $40 million for fiscal 2009 and will continue to evaluate capital spending throughout the remainder of the year. Additionally, we will eliminate virtually all company-owned restaurant development in fiscal 2010.

Despite these challenging times, we are still committed to furthering the initiatives in our five areas of focus - hospitality; food and beverage excellence; restaurant atmosphere; pace and convenience; and international expansion. These strategic priorities are designed to build on the long-term health of the company and to grow our base business by engaging and delighting our guests, differentiating Brinker brands from the competition, reducing the costs associated with managing our restaurants and establishing a strong presence in key markets around the world. However, we will monitor the results closely as well as the current business environment in order to pace the implementation of our initiatives appropriately.

We strongly believe these five strategic priorities will strengthen our brands and allow us to emerge from these tough economic times in a better competitive position to deliver profitable growth over the long term for our shareholders. For example, with growing economic pressures in the United States, international expansion allows further diversification of our portfolio, enabling Brinker to build strength in a variety of markets and economic conditions. Our growth will be driven by cultivating relationships with equity investors, joint venture partners and franchisees. Our growing percentage of franchise operations both domestically and internationally enable us to improve margins as royalty payments flow through to the bottom line. Another top area of focus remains creating a culture of hospitality that will differentiate Brinker brands from all others in the industry. Through our investments in team member training and guest measurement programs, we are gaining traction in this area and providing guests a reason to make Brinker brands their preferred choice when dining out. We also believe that the unique and craveable food and beverages as well as the new flavors and offerings we continue to create at each of our brands, the warm, welcoming and revitalized atmospheres, and technologies and process improvements related to pace and convenience will give customers new reasons to dine with us more often.

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The casual dining industry is a highly competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our top priority remains increasing profitable traffic over time and we are encouraged by the progress and traction we have experienced with our five areas of focus. Despite a slower than expected start to fiscal 2009 and an uncertain outlook for the remainder of fiscal 2009, we remain confident in the financial health of our company, the long-term prospects of the industry as well as in our ability to perform effectively in an extremely competitive marketplace and a variety of economic environments.

REVENUES

Revenues for the first quarter of fiscal 2009 decreased to $984.4 million, a 6.7% decrease from the $1,054.7 million generated for the same quarter of fiscal 2008. The decrease in revenues was primarily attributable to a decrease in comparable restaurant sales as well as net declines in capacity at company-owned restaurants.

	Thirteen Week Period Ended September 24, 2008			
	Comparable Sales	**Price Increase**	**Mix Shift**	**Capacity**
Brinker International	(4.0)%	3.2%	(1.0)%	(4.1)%
Chili s	(3.0)%	3.3%	(0.8)%	(3.4)%
On The Border	(3.3)%	4.0%	(0.7)%	0.6%
Maggiano s	(3.3)%	2.4%	(2.3)%	2.4%
Macaroni Grill	(9.0)%	2.9%	(1.2)%	(11.2)%