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Brinker *Raises View, Boosts Dividend*

By Paul Ziobro

Brinker International Inc. forecast fiscal third-quarter earnings above analysts' expectation and also raised its outlook for the year as sales recently have improved.

The operator of Chili's Grill & Bar also boosted its dividend and share buyback program, becoming the latest restaurant chain to serve up excess cash to shareholders.

Pressure has begun to ease in the casual-dining industry, which was hard hit during the recession. The industry responded with discounts and promotions to attract customers, though the moves hurt margins.

The discounting has also lessened, with Brinker's Chili's brand recently deciding to end its "3 for \$20" promotion that offered two entrees and a shared appetizer and dessert for \$20. The move sparked some concern that customers would stop coming without the deal.

Chili's hoped that a revamped menu with a new recipe for its signature ribs and the addition of tacos would be enough to draw customers. More recently, though, Chili's started offering "Fresh Pairings" of an appetizer and entree for \$9.99 instead.

Brinker said Chili's same-store sales fell between 4.5% and 5.5% in the quarter, which includes an impact of weather, though sales have begun to sequentially improve again in March.

"The encouraging news is that the performance was reasonable given that they turned off the promotion," Telsey Advisory Group analyst Tom Forte said.

Brinker forecast earnings for the quarter ended Wednesday, excluding items, of 41 cents to 44 cents a share and same-store sales falling 3.5% to 4.5%. Analysts polled by Thomson Reuters recently expected a 40-cent profit. Harsh weather cut same-store-sales by about one percentage point in the period, Brinker said.

Meanwhile, the company now expects earnings, excluding items, for the year of \$1.40 to \$1.44 a share on a same-store-sales decline of 1% to 2%. Brinker projected in August a profit of \$1.15 to \$1.30 and same-store sales dropping 2% to 4%.

The upbeat earnings view comes as a host of companies have been boosting dividends and stock-buyback efforts as they feel less need to hoard cash, a sentiment brought on by the financial crisis. This week, Starbucks Corp. was among the companies that made the shareholder friendly move, implementing its first-ever dividend and increasing share repurchases.

Brinker is raising its quarterly dividend 27% to 14 cents a share, costing an additional \$12.4 million a year. The company's board also authorized an additional \$250 million of stock repurchases, bringing the buyback-program authorization to \$310 million. Its market value is about \$2 billion.

The dividend increase comes after Brinker said Thursday it was selling its On The Border chain to an affiliate of Golden Gate Capital for an undisclosed amount.

—*Tess Stynes contributed to this article.*