

BRINKER INTERNATIONAL INC

Form 11-K

June 01, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

“TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition year from to

Commission File No. 1-10275

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Brinker International

6820 LBJ Freeway

Dallas, Texas 75240

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* All other schedules required by Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm
To the Participants and Plan Administrator of the
Brinker International 401(k) Savings Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Brinker International 401(k) Savings Plan (the “Plan”) as of December 31, 2017 and 2016 and the related statements of changes in net assets available for benefits for the years then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits include performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental information in the accompanying schedule of Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Whitley Penn LLP

We have served as the Plan’s auditor since 2007.

Dallas, Texas

June 1, 2018

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BRINKER INTERNATIONAL
401(K) SAVINGS PLAN
Statements of Net Assets Available for Benefits
December 31, 2017 and 2016

	2017	2016
Investments – at fair value (Note 3)	\$269,704,693	\$236,532,521
Receivables:		
Employer contributions	143,559	143,673
Participants’ contributions	272,928	277,643
Notes receivable from participants	12,038,074	10,948,688
	12,454,561	11,370,004
Net assets available for benefits	\$282,159,254	\$247,902,525
See accompanying notes to financial statements.		

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BRINKER INTERNATIONAL
 401(K) SAVINGS PLAN
 Statements of Changes in Net Assets Available for Benefits
 Years Ended December 31, 2017 and 2016

	2017	2016
Additions:		
Contributions:		
Participants	\$16,949,605	\$16,617,765
Rollovers	1,162,997	664,342
Employer	9,019,544	8,636,851
	27,132,146	25,918,958
Investment income:		
Net appreciation in fair value of investments	23,887,412	9,558,035
Interest and dividends	15,299,002	8,121,917
	39,186,414	17,679,952
Interest on notes receivable from participants	498,545	450,651
Total additions	66,817,105	44,049,561
Deductions:		
Benefits paid to participants	32,560,376	25,286,817
Net increase	34,256,729	18,762,744
Net assets available for benefits at beginning of year	247,902,525	229,139,781
Net assets available for benefits at end of year	\$282,159,254	\$247,902,525
See accompanying notes to financial statements.		

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BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

Notes to Financial Statements

December 31, 2017 and 2016

1. DESCRIPTION OF THE PLAN

The following description of the Brinker International (the “Company” or “Brinker”) 401(k) Savings Plan (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan Document for a more complete description of the Plan’s provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended.

General

The Company originally adopted the Plan effective January 1, 1993. The Plan is a qualified defined contribution retirement plan covering eligible employees as defined below. The Plan was most recently amended and restated in its entirety effective December 1, 2014, primarily for the purpose of incorporating previous Plan amendments and implementing an updated Plan Document. Leased employees, non-US citizens, and union employees without specific contract provisions are not eligible to participate in the Plan.

The investments of the Plan are maintained in a trust (the “Trust”) by Fidelity Management Trust Company (the “Trustee”) and the recordkeeping functions are performed by Fidelity Investments Institutional Operations Company Incorporated (the “Recordkeeper”).

Contributions

An employee may become a participant on the first of the month following the date the employee completes one year of eligible service (at least 1,000 hours) and attains the age of twenty-one. Contributions are subject to Internal Revenue Service (“IRS”) limitations on total annual contributions, as well as plan limitations which stipulate that up to 50% of eligible base compensation including tips and 100% of eligible bonuses, as defined in the Plan, may be contributed to various investment funds on a tax-deferred basis.

The Company matches in cash at a rate of 100% of the first 3% of pay and 50% of the next 2% of pay for a participant’s compensation, as defined in the Plan, up to the maximum deferrable amount allowed by the Internal Revenue Code (“IRC”).

Eligible participants age 50 or older by the end of a calendar year are permitted to make catch-up contributions to the Plan up to the deferral amount allowed by the IRC.

Active hourly-tipped participants may elect to make voluntary after-tax contributions for each pay period under the Plan. The employee contributions may be made only from the participant’s compensation representing tip income that is not paid through the Company’s payroll and may contribute up to 100% of such tip income. An active participant may not make contributions for any period in which such person is not accruing hours of service with the Company.

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BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

Notes to Financial Statements

Participants' Accounts

Participant and Company matching contributions are invested in accordance with participants' elections in the following funds:

Fund Options	Primarily invests in:
Fidelity Government Money Market Fund	Money market funds
PIMCO Total Return Fund	Intermediate-term mortgage, corporate, government and foreign bonds
Vanguard Inflation Protected Securities Fund	Intermediate-term government bonds
American Beacon Large Cap Value Fund	Equities of large-cap domestic companies
Fidelity Contrafund	Equities of domestic and foreign companies
American Funds EuroPacific Growth Fund	Equities of foreign companies
Neuberger Berman Genesis Fund	Equities of small-cap domestic companies
Dreyfus/The Boston Company Small Cap Value Fund	Equities of small-cap domestic companies
Fidelity Small Cap Growth Fund	Equities of small-cap domestic companies
Fidelity 500 Index Fund	Equities of companies included in the S&P 500 Index
Fidelity Extended Market Index Fund	Equities of companies included in the Dow Jones U.S. Completion Total Stock Market Index
Fidelity Freedom Funds	Fidelity equity, fixed-income and short-term mutual funds
Brinker Common Stock Fund	Brinker common stock and short-term investments
Participants' accounts are adjusted with the proportionate share of gains or losses generated by their elected investment funds.	

Vesting

Participants are immediately vested in both employee and employer matching contributions and the earnings thereon.

Forfeited Accounts

Forfeited account balances are used to reduce Company matching contributions. Forfeited accounts for the years ended December 31, 2017 and 2016 were not significant.

Payment of Benefits

Distributions under the Plan may be made upon a participant's death, disability, retirement, or termination of employment. Actively employed participants may withdraw a portion of their vested account balance due to a financial hardship in accordance with IRS regulations and as defined in the Plan Document. Benefit payments may be made in the form of a single lump sum payment, a direct rollover into an Individual Retirement Account or another

qualified plan, or periodic payments, as applicable.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. A participant may have up to two loans outstanding at a time; however, the total outstanding balance of all loans may not exceed the lesser of \$50,000 or 50% of the participant's vested account balance. Loan terms range from six months to 5 years or up to 15 years for the purchase of a primary residence. Maturities range from 2018 through 2032 as of December 31, 2017. The loans are secured by the participant's account and bear interest at a rate of 1% above the prime lending rate which is determined at the end of the month prior to the month in which the loan request is

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BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

Notes to Financial Statements

made. Interest rates on outstanding loans ranged from 4.25% to 9.25% as of December 31, 2017 and 2016. Principal and interest payments are made through bi-weekly payroll deductions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Administrative Expenses

The Company pays all administrative expenses related to the Plan for actively employed participants, except for transactional fees related to participant-directed actions on their account which are paid by the participant.

Non-employee participants are responsible for the annual administration fees for their accounts.

Investment Valuation and Income Recognition

The Plan's money market funds, mutual funds and Company common stock fund are stated at fair value using quoted market prices. (See Note 3 for additional disclosures).

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Income from investments is recorded as earned on an accrual basis.

Notes Receivable from Participants

Notes receivable from participants are valued at the outstanding principal balance, which represents the exit value upon collection, either by repayment or by deemed distribution if not repaid.

Payment of Benefits

Benefits are recorded when paid.

Contributions

Participant and employer contributions are accrued in the period that payroll deductions are made from plan participants in accordance with salary deferral agreements and as such, become obligations of the Company and assets of the Plan.

3. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

Level 1 – observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

- Level 2 – observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 – inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

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401(K) SAVINGS PLAN

Notes to Financial Statements

The methodologies used to measure the fair value of each major category of investments are as follows:

• Money Market funds are valued based on the short-term cash component as of the measurement date and classified within Level 1 of the valuation hierarchy.

• Mutual funds are valued at the total market value of the underlying assets provided by the trustee of the Plan and are classified within Level 1 of the valuation hierarchy.

Brinker common stock fund is valued at the combined market value of the underlying stock based upon the closing price of the stock on its primary exchange times the number of shares held and the short-term cash component as of the measurement date and classified within Level 1 of the valuation hierarchy.

These methodologies were consistently applied as of December 31, 2017 and 2016.

The following table presents the fair value of financial instruments as of December 31, 2017 and 2016 by type of asset. The Plan has no investments that are classified as Level 2 or Level 3 as of December 31, 2017 and 2016.

	2017	2016
Money market	\$9,252,687	\$11,241,094
Mutual funds	243,648,950	202,811,817
Brinker common stock fund	16,803,056	22,479,610
Total investments at fair value	\$269,704,693	\$236,532,521

4. RELATED-PARTY AND PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments consist of common stock of the Company and money market and mutual funds managed by the Trustee. Transactions involving these investments, as well as loans made to participants, qualify as party-in-interest transactions. All of these party-in-interest transactions are exempt from the prohibited transaction rules.

5. CONCENTRATION

At December 31, 2017 and 2016, the Brinker common stock fund approximated \$16.8 million and \$22.5 million, respectively, and represented approximately 6.2% and 9.5%, respectively, of the Plan's total investments at fair value.

6. PLAN TERMINATION

Although it has no present intention to do so, the Company may terminate the Plan at any time subject to the provisions of ERISA.

7. INCOME TAX STATUS

In December 2011, the Plan adopted a volume submitter plan document. The sponsor of the volume submitter plan document has received an advisory letter from the IRS dated March 31, 2014, stating that the form of the underlying volume submitter document is qualified under Section 401 of the IRC and that any employer adopting this form of the plan will be considered to have a plan qualified under Section 401(a) of the IRC. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualified status. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes the Plan is qualified and the related Trust is tax-exempt as of the financial statement date.

8. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits. It is not possible

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BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

Notes to Financial Statements

at this time to reasonably estimate the possible loss or range of loss, if any. We further caution that it is not possible to see all such factors, and you should not consider the identified factors as a complete list of all risks and uncertainties.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, management of the Plan has evaluated all subsequent events and transactions for potential recognition or disclosure through June 1, 2018, the date the financial statements were available for issuance.

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EIN: 75-2354902

PLAN # 001

BRINKER INTERNATIONAL

401(K) SAVINGS PLAN

Form 5500 Schedule H, line 4i – Schedule of Assets (Held at End of Year)

December 31, 2017

(a)(b)(c)	(e)
Identity	
of	
issue,	
Description of investment including maturity date, rate of interest, collateral, par, or maturity	Current
borrower, lessor value	Value
or	
similar	
party	
Money	
market:	
* Fidelity	
Government	
Money 9,252,687 shares	\$9,252,687
Market	
Fund	
Mutual	
funds:	
* Fidelity	
Contrafund 324,349 shares	39,697,130
* Fidelity	
500 217,268 shares	20,303,730
Index	
Fund	
* Fidelity	
Freedom	
2040 1,822,659 shares	19,484,228
Fund	
* Fidelity	
Freedom	
2035 1,269,459 shares	19,308,466
Fund	
American	
Funds	
EuroPacific 1138 shares	17,467,262
Growth	
Fund	
Neuberger 280,984 shares	16,145,353
Berman	
Genesis	

Fund		
* Fidelity		
Freedom		
2030	824,232 shares	14,860,903
Fund		
* Fidelity		
Freedom		
2045	1,136,867 shares	13,767,454
Fund		
American		
Beacon		
Large		
Cap	429,932 shares	12,532,508
Value		
Fund		
PIMCO		
Total		
Return	1,177,919 shares	12,097,232
Fund		
* Fidelity		
Freedom		
2050	872,975 shares	10,624,106
Fund		
* Fidelity		
Freedom		
2025	728,358 shares	10,473,793
Fund		
* Fidelity		
Small		
Cap	378,012 shares	9,348,230
Growth		
Fund		
Dreyfus/The		
Boston		
Company		
Small	364,238 shares	8,151,642
Cap		
Value		
Fund		
* Fidelity		
Freedom		
2020	513,804 shares	5,193,457
Fund		
* Fidelity		
Freedom		
2055	378,234 shares	5,189,367
Fund		
* Fidelity		
Extended	448,816 shares	3,029,025
Market		
Index		

Fund		
Vanguard		
Inflation		
Protected	67,031 shares	1,715,998
Securities		
Fund		
* Fidelity		
Freedom		
2015	96,848 shares	1,293,883
Fund		
* Fidelity		
Freedom		
2010	57,805 shares	927,192
Fund		
* Fidelity		
Freedom		
Income	76,325 shares	897,586
Fund		
* Fidelity		
Freedom		
2060	60,879 shares	743,946
Fund		
* Fidelity		
Freedom		
2005	31,616 shares	396,459
Fund		
		243,648,950
*		
Brinker		
Common	432,874 shares	16,803,056
Stock		
Fund		
*		
Participant	Interest rates from 4.25% to 9.25% and maturity dates from 2018 through 2032	12,038,074
Loans		
Total		\$281,742,767
* Party-in-interest		
Cost column not required – participant directed		
See accompanying report of independent registered public accounting firm.		

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

BRINKER INTERNATIONAL,
INC.
401(K) SAVINGS PLAN

Date: June 1, 2018 By: /s/ Jason
Landry
Jason Landry
Plan
Administrator