Restaurant Research®

Concept Analysis & Benchmark Report

Chili's Grill & Bar 2024

Executive Summary

Chili's (5th largest casual segment player) enjoys core brand equity as a sit-down Southwest (Tex-Mex) chain that specializes in Big Mouth burgers, sizzling fajitas, chicken crispers and margaritas. Brand positioning elements also include: good value for the money; great place to hang-out with family & friends; a great bar atmosphere; and a casual segment leading tech platform. While the chain enjoys the category's highest value scores (also attributed to high service levels), it seeks to manage down its total value mix while targeting a higher income demo. In any case, attractive value offers include its popular 3 for Me platform, $10 Lunch Combos, $6 Margarita of the month and daily late-night happy hour deals. A sensible strategy emphasizes everyday value as opposed to operationally complex LTOs and the chain's increasing brand awareness should benefit from an incremental $55MM - $60MM marketing investment planned for FY24. Further, Chili's loyalty program, which is viewed as key to driving traffic, is well suited to target a younger demo while also supporting off-premise/digital ordering. FY24 comps are expected to increase mid-single-digits, in-line with results during the 1H of its fiscal year, and comp tailwinds include: solid value positioning; plans to increase national ad spend; an improved marketing strategy; efforts to reduce discounting to boost check; an associated increase in traction with higher income customers; and improving guest scores which reflect operational improvements & lower turnover. Having said all this, the chain is challenged by a higher-than-average mix of value-seeking guests as reflected by a check that significantly underperforms the segment average. At the unit level, the chain's AUV underperforms the segment average and its EBITDAR margin remains far below its own system best. In conclusion, while Chili's has been able to distinguish itself in a crowded FSR space with an attractive Tex-Mex menu, fun experience, leading value and digital strength, the chain has more work to do to bolster its store-level profitability at a time when stressed consumers are looking for more value, not less.

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt (1)/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Feb-24
Brinker International, Inc.	EAT	B1	5.85	6.20	35.3%	21.9%	
$1B+ Chains			5.49	15.52	21.1%	10.2%	

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(1) Net Debt includes operating leases.

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