

Texas Roadhouse, Inc.
Form 10-Q
May 06, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended March 29, 2011

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from to

Commission File Number 000-50972

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

20-1083890
(IRS Employer
Identification Number)

6040 Dutchmans Lane, Suite 200

Louisville, Kentucky 40205

(Address of principal executive offices) (Zip Code)

(502) 426-9984

(Registrant's telephone number, including area code)

Indicate by check mark whether 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 ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

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 the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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 ☐ No ☒.

The number of shares of common stock outstanding were 71,192,408 on April 29, 2011.

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(in thousands, except share and per share data)

| | (unaudited) March 29, 2011 | December 28, 2010 |
|---|-------------------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 77,420 | \$ 82,215 |
| Receivables, net of allowance for doubtful accounts of \$253 at March 29, 2011 and \$222 at December 28, 2010 | 12,152 | 12,563 |
| Inventories, net | 8,559 | 9,197 |
| Prepaid income taxes | | 375 |
| Prepaid expenses | 6,897 | 7,204 |
| Deferred tax assets | 2,295 | 2,368 |
| Total current assets | 107,323 | 113,922 |
| Property and equipment, net | 460,522 | 458,983 |
| Goodwill | 111,785 | 111,785 |
| Intangible asset, net | 9,849 | 10,118 |
| Other assets | 9,325 | 7,993 |
| Total assets | \$ 698,804 | \$ 702,801 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt and obligations under capital leases | \$ 281 | \$ 274 |
| Accounts payable | 28,457 | 26,864 |
| Deferred revenue - gift cards/certificates | 22,329 | 39,165 |
| Accrued wages | 23,111 | 21,050 |
| Income tax payable | 8,907 | |
| Accrued taxes and licenses | 12,148 | 12,318 |
| Dividends payable | 5,692 | |
| Other accrued liabilities | 13,327 | 12,387 |
| Total current liabilities | 114,252 | 112,058 |
| Long-term debt and obligations under capital leases, excluding current maturities | 51,832 | 51,906 |
| Stock option and other deposits | 4,367 | 4,052 |
| Deferred rent | 15,050 | 14,457 |
| Deferred tax liabilities | 8,126 | 8,444 |
| Fair value of derivative financial instruments | 2,003 | 2,178 |
| Other liabilities | 10,712 | 10,324 |
| Total liabilities | 206,342 | 203,419 |
| Texas Roadhouse, Inc. and subsidiaries stockholders' equity: | | |
| Common stock, (\$0.001 par value, 100,000,000 shares authorized, 71,166,208 and 72,222,991 shares issued and outstanding at March 29, 2011 and December 28, | 71 | 72 |

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| | | |
|---|------------|------------|
| 2010, respectively) | | |
| Additional paid in capital | 254,942 | 250,874 |
| Retained earnings | 261,109 | 247,008 |
| Accumulated other comprehensive loss | (1,230) | (1,338) |
| Treasury stock (1,500,000 common shares in 2011 at cost) | (25,267) | |
| Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity | 489,625 | 496,616 |
| Noncontrolling interests | 2,837 | 2,766 |
| Total equity | 492,462 | 499,382 |
| Total liabilities and equity | \$ 698,804 | \$ 702,801 |

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

| | 13 Weeks Ended | |
|---|-----------------------|-----------------------|
| | March 29, 2011 | March 30, 2010 |
| Revenue: | | |
| Restaurant sales | \$ 281,320 | \$ 257,342 |
| Franchise royalties and fees | 2,465 | 2,282 |
| Total revenue | 283,785 | 259,624 |
| Costs and expenses: | | |
| Restaurant operating costs: | | |
| Cost of sales | 93,541 | 82,799 |
| Labor | 82,720 | 74,909 |
| Rent | 5,657 | 5,270 |
| Other operating | 45,281 | 42,598 |
| Pre-opening | 1,890 | 1,105 |
| Depreciation and amortization | 10,600 | 10,337 |
| Impairment and closures | 26 | 158 |
| General and administrative | 13,861 | 12,342 |
| Total costs and expenses | 253,576 | 229,518 |
| Income from operations | 30,209 | 30,106 |
| Interest expense, net | 565 | 730 |
| Equity income from investments in unconsolidated affiliates | (103) | (108) |
| Income before taxes | 29,747 | 29,484 |
| Provision for income taxes | 9,272 | 9,606 |
| Net income including noncontrolling interests | \$ 20,475 | \$ 19,878 |
| Less: Net income attributable to noncontrolling interests | 682 | 637 |
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries | \$ 19,793 | \$ 19,241 |
| Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries: | | |
| Basic | \$ 0.27 | \$ 0.27 |
| Diluted | \$ 0.27 | \$ 0.27 |
| Weighted-average shares outstanding: | | |
| Basic | 72,052 | 70,690 |
| Diluted | 73,727 | 72,226 |
| Cash dividends declared per share | \$ 0.08 | \$ |

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See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income

(in thousands, except share data)

(unaudited)

| | Shares | Par Value | Paid in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total Texas Roadhouse, Inc. and Subsidiaries | Noncontrolling Interests | Total |
|---|-------------|-----------|-----------------|-------------------|---|----------------|--|--------------------------|------------|
| Balance, December 28, 2010 | 72,222,991 | \$ 72 | \$ 250,874 | \$ 247,008 | \$ (1,338) | | \$ 496,616 | \$ 2,766 | \$ 499,382 |
| Comprehensive income: | | | | | | | | | |
| Unrealized gain on derivatives, net of tax of \$0.1 million | | | | | 108 | | 108 | | 108 |
| Net income | | | | 19,793 | | | 19,793 | 682 | 20,475 |
| Total comprehensive income | | | | | | | 19,901 | 682 | 20,583 |
| Distributions to noncontrolling interests | | | | | | | | (611) | (611) |
| Dividends declared (\$0.08 per share) | | | | (5,692) | | | (5,692) | | (5,692) |
| Shares issued under stock option plan including tax effects | 223,756 | 1 | 2,647 | | | | 2,648 | | 2,648 |
| Repurchase of shares of common stock | (1,500,000) | (2) | | | | (25,267) | (25,269) | | (25,269) |
| Settlement of restricted stock units, net of tax | 219,461 | | (1,539) | | | | (1,539) | | (1,539) |
| Share-based compensation | | | 2,960 | | | | 2,960 | | 2,960 |
| Balance, March 29, 2011 | 71,166,208 | \$ 71 | \$ 254,942 | \$ 261,109 | \$ (1,230) | (25,267) | \$ 489,625 | \$ 2,837 | \$ 492,462 |

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | 13 Weeks Ended | |
|--|----------------|----------------|
| | March 29, 2011 | March 30, 2010 |
| Cash flows from operating activities: | | |
| Net income including noncontrolling interests | \$ 20,475 | \$ 19,878 |
| Depreciation and amortization | 10,600 | 10,337 |
| Deferred income taxes | (313) | 1,567 |
| Loss on disposition of assets | 539 | 141 |
| Impairment and closures | | 121 |
| Equity income from investments in unconsolidated affiliates | (103) | (108) |
| Distributions received from investments in unconsolidated affiliates | 80 | 94 |
| Provision for doubtful accounts | (31) | |
| Share-based compensation expense | 2,960 | 1,830 |
| Changes in operating working capital: | | |
| Receivables | 442 | (231) |
| Inventories | 638 | 693 |
| Prepaid expenses and other current assets | 307 | (2,229) |
| Other assets | (1,309) | 295 |
| Accounts payable | 1,593 | (554) |
| Deferred revenue gift cards/certificates | (16,836) | (14,434) |
| Accrued wages | 2,061 | 2,354 |
| Excess tax benefits from share-based compensation | (236) | (1,499) |
| Prepaid income taxes and income taxes payable | 9,518 | 1,479 |
| Accrued taxes and licenses | (170) | 2,100 |
| Other accrued liabilities | 940 | (317) |
| Deferred rent | 593 | 523 |
| Other liabilities | 388 | 644 |
| Net cash provided by operating activities | \$ 32,136 | \$ 22,684 |
| Cash flows from investing activities: | | |
| Capital expenditures property and equipment | (12,458) | (7,822) |
| Proceeds from sale of property and equipment, including insurance proceeds | 49 | 21 |
| Net cash used in investing activities | \$ (12,409) | \$ (7,801) |
| Cash flows from financing activities: | | |
| Repayments of revolving credit facility, net | | (12,000) |
| Distributions to noncontrolling interest holders | (611) | (561) |
| Excess tax benefits from share-based compensation | 236 | 1,499 |
| Repayments of stock option and other deposits | (283) | (400) |
| Proceeds from stock option and other deposits | 598 | 224 |
| Repurchase shares of common stock | (25,269) | |
| Settlement of restricted stock units, net of tax | (1,539) | (1,148) |
| Principal payments on long-term debt and capital lease obligations | (67) | (60) |
| Proceeds from exercise of stock options | 2,413 | 4,448 |

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| | | | | |
|--|----|----------|----|---------|
| Net cash used in financing activities | \$ | (24,522) | \$ | (7,998) |
| Net (decrease)/increase in cash and cash equivalents | | (4,795) | | 6,885 |
| Cash and cash equivalents beginning of period | | 82,215 | | 46,858 |
| Cash and cash equivalents end of period | \$ | 77,420 | \$ | 53,743 |
| Supplemental disclosures of cash flow information: | | | | |
| Interest, net of amounts capitalized | \$ | 426 | \$ | 692 |
| Income taxes, net of refunds | \$ | 66 | \$ | 6,558 |

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Tabular dollar amounts in thousands, except per share data)

(unaudited)

1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Texas Roadhouse, Inc. (the Company, we and/or our), our wholly-owned subsidiaries and subsidiaries in which we own more than 50 percent interest, as of and for the 13 weeks ended March 29, 2011 and March 30, 2010. Our wholly-owned subsidiaries include: Texas Roadhouse Holdings LLC (Holdings), Texas Roadhouse Development Corporation (TRDC), Texas Roadhouse Management Corp. (Management Corp.) and Aspen Creek, LLC (Aspen Creek). We and our subsidiaries operate restaurants under the names Texas Roadhouse and Aspen Creek. Holdings also provides supervisory and administrative services for certain other franchise and license restaurants. TRDC sells franchise rights and collects the franchise royalties and fees. Management Corp. provides management services to the Company, Holdings, Aspen Creek and certain other license and franchise restaurants. All material balances and transactions between the consolidated entities have been eliminated.

As of March 29, 2011 and March 30, 2010, we owned 5.0% to 10.0% equity interest in 21 franchise restaurants. While we exercise significant control over these franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and/or cash flows. Our investment in these unconsolidated affiliates is included in Other assets in our condensed consolidated balance sheets and we record our percentage share of net income earned by these unconsolidated affiliates on our condensed consolidated statements of income under Equity income from investments in unconsolidated affiliates.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reporting of revenue and expenses during the period to prepare these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, obligations related to insurance reserves, income taxes and share-based compensation expense. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows for the periods presented. The financial statements have been prepared in accordance with GAAP, except that certain information and footnotes have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission (SEC). Operating results for the 13 weeks ended March 29, 2011 are not necessarily indicative of the results that may be expected for the year ending December 27, 2011. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 28, 2010.

Our significant interim accounting policies include the recognition of income taxes using an estimated annual effective tax rate.

(2) Share-based Compensation

We may grant incentive and non-qualified stock options to purchase shares of common stock, stock bonus awards (restricted stock unit awards (RSUs)) and restricted stock awards under the Texas Roadhouse, Inc. 2004 Equity Incentive Plan (the Plan). Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by eliminating stock option grants and, instead, granting RSUs as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement.

The following table summarizes the share-based compensation recorded in the accompanying condensed consolidated statements of income:

| | 13 Weeks Ended | |
|--|----------------|----------------|
| | March 29, 2011 | March 30, 2010 |
| Labor expense | \$ 938 | \$ 761 |
| General and administrative expense | 2,022 | 1,069 |
| Total share-based compensation expense | \$ 2,960 | \$ 1,830 |

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A summary of share-based compensation activity by type of grant as of March 29, 2011 and changes during the period then ended is presented below.

Summary Details for Plan Share Options

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|----------------------------------|-----------|------------------------------------|---|---------------------------------|
| Outstanding at December 28, 2010 | 3,996,512 | \$ 11.87 | | |
| Granted | | | | |
| Forfeited | (7,722) | 16.54 | | |
| Exercised | (223,756) | 10.79 | | |
| Outstanding at March 29, 2011 | 3,765,034 | \$ 11.92 | 4.39 | \$ 17,741 |
| Exercisable at March 29, 2011 | 3,630,087 | \$ 11.86 | 4.33 | \$ 20,200 |

No stock options were granted during the 13 weeks ended March 29, 2011.

The total intrinsic value of options exercised during the 13 weeks ended March 29, 2011 and March 30, 2010 was \$1.5 million and \$4.6 million, respectively. As of March 29, 2011, with respect to unvested stock options, there was an immaterial amount of unrecognized compensation cost that is expected to be recognized over a weighted-average period of less than a year. The total grant date fair value of stock options vested for both 13 week periods ended March 29, 2011 and March 30, 2010 was \$0.2 million and \$0.7 million, respectively.

Summary Details for RSUs

| | Shares | Weighted-Average Grant Date Fair Value |
|----------------------------------|-----------|--|
| Outstanding at December 28, 2010 | 1,205,410 | \$ 11.71 |
| Granted | 431,908 | 17.25 |
| Forfeited | (33,923) | 16.11 |
| Vested | (312,327) | 11.26 |
| Outstanding at March 29, 2011 | 1,291,068 | \$ 13.31 |

As of March 29, 2011, with respect to unvested RSUs, there was \$11.0 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.8 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total grant date fair value of RSUs vested for the 13 week periods ended March 29, 2011 and March 30, 2010 was \$3.5 million and \$3.0 million, respectively.

(3) Long-term Debt and Obligations Under Capital Leases

Long-term debt and obligations under capital leases consisted of the following:

| | March 29, 2011 | December 28, 2010 |
|----------------------------------|----------------|-------------------|
| Installment loans, due 2011 2020 | \$ 1,819 | \$ 1,865 |
| Obligations under capital leases | 294 | 315 |
| Revolver | 50,000 | 50,000 |
| | 52,113 | 52,180 |
| Less current maturities | 281 | 274 |
| | \$ 51,832 | \$ 51,906 |

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The weighted-average interest rate for installment loans outstanding at March 29, 2011 and December 28, 2010 was 10.58%. The debt is secured by certain land and buildings.

We have a \$250.0 million five-year revolving credit facility with a syndicate of commercial lenders led by Bank of America, N.A., Banc of America Securities LLC and PNC Bank. The facility expires on May 31, 2012. The terms of the facility require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.50% to 0.875%, depending on our leverage ratio, or the Base Rate, which is the higher of the issuing bank's prime lending rate or the Federal Funds rate plus 0.50%. We are also required to pay a commitment fee of 0.10% to 0.175% per year on any unused portion of the facility, depending on our leverage ratio. The weighted-average interest rate for the revolver at March 29, 2011 and December 28, 2010 was 3.59%, including interest rate swaps. At March 29, 2011, we had \$50.0 million outstanding under the credit facility and \$196.2 million of availability, net of \$3.8 million of outstanding letters of credit.

The lenders' obligation to extend credit under the facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of March 29, 2011.

(4) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is J.P. Morgan Chase, N.A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, commodity prices or the market price of our common stock. We minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

Interest Rate Swaps

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount.

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On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount.

We entered into the above interest rate swaps with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income. We will reclassify any gain or loss from accumulated other comprehensive income, net of tax, on our consolidated balance sheet to interest expense on our consolidated statement of income when the interest rate swap expires or at the time we choose to terminate the swap. See note 9 for fair value discussion of these interest rate swaps.

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The following table summarizes the fair value and presentation in the condensed consolidated balance sheets for derivatives designated as hedging instruments under FASB ASC 815:

| | Balance Sheet Location | Derivative Assets | | Derivative Liabilities | |
|--|------------------------|-------------------|-------------------|------------------------|-------------------|
| | | March 29, 2011 | December 28, 2010 | March 29, 2011 | December 28, 2010 |
| Derivative Contracts Designated as Hedging Instruments under ASC 815 | (1) | | | | |
| Interest rate swaps | | \$ | \$ | \$ 2,003 | \$ 2,178 |
| Total Derivative Contracts | | \$ | \$ | \$ 2,003 | \$ 2,178 |

(1) Derivative assets and liabilities are included in fair value of derivative financial instruments on the condensed consolidated balance sheets.

The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for the 13 weeks ended March 29, 2011 and March 30, 2010:

| | Amount of (Loss) Gain Recognized in AOCI (effective portion) | | Location of Gain (Loss) Reclassified from AOCI Income | Amount of Gain (Loss) Reclassified from AOCI to Income (effective portion) | | Location of Gain (Loss) Recognized in Income (ineffective portion) | Amount of Gain (Loss) Recognized in Income (ineffective portion) | |
|---------------------|--|----------|---|--|------|--|--|------|
| | 2011 | 2010 | | 2011 | 2010 | | 2011 | 2010 |
| Interest rate swaps | \$ 108 | \$ (457) | | \$ | \$ | | \$ | \$ |

(5) Recent Accounting Pronouncements

Fair Value Measures and Disclosures

(Accounting Standards Update (ASU) 2010-06)

In January 2010, the FASB issued ASU 2010-06 which amends Accounting Standards Codification (ASC) topic 820, *Fair Value Measures and Disclosures*. ASU No. 2010-06 amends the ASC to require disclosure of transfer into and out of Level 1 and Level 2 fair value measurements, and also requires more detailed disclosure about the activity within Level 3 fair value measurements. The changes as a result of this update are effective for annual and interim reporting periods beginning after December 15, 2009 (our 2010 fiscal year), except for requirements related to Level 3 disclosures, which are effective for annual and interim reporting periods beginning after December 15, 2010 (our 2011 fiscal year). This guidance requires new disclosures only, and had no impact on our consolidated financial position, results of operations or cash flows.

(6) Commitments and Contingencies

The estimated cost of completing capital project commitments at March 29, 2011 and December 28, 2010 was approximately \$58.9 million and \$52.8 million, respectively.

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, Longmont, CO, Montgomeryville, PA, Fargo, ND and Logan, UT before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults under the terms of a lease. The Longmont lease was assigned in October 2003 and expires in May 2014, the Everett lease was assigned in September 2002 and expires in February 2018, the Montgomeryville lease was assigned in October 2004 and expires in June 2021, the Fargo lease was assigned in February 2006 and expires in July 2016 and the Logan lease was assigned in January 2009 and expires in August 2019. As the fair value of the guarantees is not considered significant, no liability has been recorded. As discussed in note 7, the Everett, MA, Longmont, CO, and Fargo, ND restaurants are owned, in whole or part, by certain of our officers, directors or 5% shareholders.

We currently buy most of our beef from three suppliers. Although there are a limited number of beef suppliers, management believes that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

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On October 8, 2010, the U.S. Equal Employment Opportunity Commission (EEOC) for the Boston Area Office issued a determination letter in Charge No. 523-2009-00643 alleging that we engaged in a pattern and practice of age discrimination in hiring for certain restaurant positions in violation of the Age Discrimination in Employment Act. The determination alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions solely due to their age. The EEOC is seeking remedial actions and the payment of damages to the applicants. We have denied the allegation and intend to vigorously defend against the charge. We are currently engaged in the conciliation process with the EEOC. Based on the preliminary status of this matter, we cannot estimate the possible amount or range of loss, if any, associated with this matter.

On January 19, 2011, a civil case styled as a class action complaint titled *Jenna Crenshaw, Andrew Brickley, et al, and all others similarly situated v. Texas Roadhouse, Inc., Texas Roadhouse Holdings, LLC, Texas Roadhouse of Everett, LLC and Texas Roadhouse Management Corp., d/b/a Texas Roadhouse (Crenshaw)*, Superior Court Civil Action Number 11-0157, was filed against us in Middlesex County, Massachusetts. The complaint was subsequently amended to add additional plaintiffs, all of whom have alleged a failure to comply with Massachusetts labor laws, specifically that we improperly shared pooled tips with ineligible employees. The complaint alleges violations in all of our restaurants in Massachusetts. Currently, we operate nine restaurants in the state. We have filed notice to remove the case to federal court, filed an answer denying all material allegations and are in the early phases of discovery.

We believe that we have meritorious defenses to the claims made in the Crenshaw case, and we intend to vigorously defend against them, including plaintiffs' efforts to certify a class action. Based on the preliminary status of this matter, we cannot estimate the possible amount or range of loss, if any, associated with this matter. However, if the court imposes statutory penalties, including restitution of the difference between the tip credit wage and minimum wage, restitution of tips, treble damages and attorneys' fees, then the case could have a material adverse effect on our consolidated financial position, results of operation or cash flows.

We are involved in various other claims and legal actions arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

(7) Related Party Transactions

The Longview, Texas restaurant, which was acquired by us in connection with the completion of our initial public offering, leases the land and restaurant building from an entity controlled by Steven L. Ortiz, our Chief Operating Officer. The lease term is 15 years and will terminate in November 2014. The lease can be renewed for two additional terms of five years each. Rent is approximately \$19,000 per month. The lease can be terminated if the tenant fails to pay the rent on a timely basis, fails to maintain the insurance specified in the lease, fails to maintain the building or property or becomes insolvent. Total rent payments were approximately \$55,000 for the 13 week periods ending March 29, 2011 and March 30, 2010.

The Bossier City, Louisiana restaurant, of which Steven L. Ortiz beneficially owns 66.0% and we own 5.0%, leases the land and building from an entity owned by Mr. Ortiz. The lease term is 15 years and will terminate on March 31, 2020. Rent is approximately \$16,600 per month and escalates 10% each five years. The next rent escalation is in the second quarter of 2015. The lease can be terminated if the tenant fails to pay rent on a timely basis, fails to maintain insurance, abandons the property or becomes insolvent. Total rent payments were approximately \$50,000 and \$45,000 for the 13 week periods ended March 29, 2011 and March 30, 2010, respectively.

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We have 14 franchise and license restaurants owned, in whole or part, by certain of our officers, directors or 5% shareholders at March 29, 2011 and March 30, 2010. These entities paid us fees of approximately \$0.5 million during both of the 13 week periods ended March 29, 2011 and March 30, 2010. As disclosed in note 6, we are contingently liable on leases which are related to three of these restaurants.

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(8) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average stock options, RSUs and restricted stock awards outstanding from our equity incentive plan as discussed in note 2.

The following table summarizes the options and nonvested stock that were outstanding but not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect:

| | 13 Weeks Ended | |
|-----------------|----------------|----------------|
| | March 29, 2011 | March 30, 2010 |
| Options | 310,504 | 2,207,141 |
| Nonvested stock | 210 | 18,281 |
| Total | 310,714 | 2,225,422 |

The following table sets forth the calculation of weighted-average shares outstanding (in thousands) as presented in the accompanying condensed consolidated statements of income:

| | 13 Weeks Ended | |
|---|----------------|----------------|
| | March 29, 2011 | March 30, 2010 |
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries | \$ 19,793 | \$ 19,241 |
| Basic EPS: | | |
| Weighted-average common shares outstanding | 72,052 | 70,690 |
| Basic EPS | \$ 0.27 | \$ 0.27 |
| Diluted EPS: | | |
| Weighted-average common shares outstanding | 72,052 | 70,690 |
| Dilutive effect of stock options and restricted stock | 1,675 | 1,536 |
| Shares diluted | 73,727 | 72,226 |
| Diluted EPS | \$ 0.27 | \$ 0.27 |

(9) Fair Value Measurement

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ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date.

Level 1 Inputs based on quoted prices in active markets for identical assets.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.

Level 3 Inputs that are unobservable for the asset.

There were no transfers among levels within the fair value hierarchy during the 13 week period ended March 29, 2011.

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The following table presents the fair values for our financial assets and liabilities measured on a recurring basis:

| | Level | Fair Value Measurements | |
|--|-------|-------------------------|-------------------|
| | | March 29, 2011 | December 28, 2010 |
| Interest rate swaps | 2 | \$ (2,003) | \$ (2,178) |
| Deferred compensation plan - assets | 1 | 6,088 | 5,475 |
| Deferred compensation plan - liabilities | 1 | (6,060) | (5,469) |
| Total | | \$ (1,975) | \$ (2,172) |

The fair value of our interest rate swaps were determined based on the present value of expected future cash flows considering the risks involved, including nonperformance risk, and using discount rates appropriate for the duration. See note 4 for discussion of our interest rate swaps.

The Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended, (the "Deferred Compensation Plan") is a nonqualified deferred compensation plan which allows highly compensated employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds held in a rabbi trust. We report the accounts of the rabbi trust in our condensed consolidated financial statements. These investments are considered trading securities and are reported at fair value based on third-party broker statements. The realized and unrealized holding gains and losses related to these investments, as well as the offsetting compensation expense, are recorded in general and administrative expense on the condensed consolidated statements of income.

The following table presents the fair values for our financial assets and liabilities measured on a nonrecurring basis:

| | Level | Fair Value Measurements | |
|---------------------------------|-------|-------------------------|-------------------|
| | | March 29, 2011 | December 28, 2010 |
| Long-lived assets held for sale | 2 | \$ 1,598 | \$ 1,598 |
| Long-lived assets held for use | 2 | 1,087 | 1,117 |
| Goodwill | 3 | 1,830 | 1,830 |
| Total | | \$ 4,515 | \$ 4,545 |

Long-lived assets held for sale include land and building and are valued using Level 2 inputs, primarily an independent third party appraisal. These assets are included in Property and equipment in our condensed consolidated balance sheets as we do not expect to sell these assets in the next 12 months. Costs to market and/or sell the assets are factored into the estimates of fair value.

Long-lived assets held for use include building, equipment and furniture and fixtures and are valued using Level 2 inputs, primarily independent third party appraisal. These assets are included in Property and equipment in our condensed consolidated balance sheets.

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Goodwill in the table above relates to three underperforming restaurants in which the carrying value of the associated goodwill was reduced to fair value, based on their historical results and anticipated future trends of operations.

At March 29, 2011 and December 28, 2010, the fair value of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying value based on the short-term nature of these instruments. The fair value of our long-term debt is estimated based on the current rates offered to us for instruments of similar terms and maturities. The carrying amounts and related estimated fair values for our debt are as follows:

| | March 29, 2011 | | December 28, 2010 | |
|-------------------|-----------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Installment loans | \$ 1,819 | \$ 2,255 | \$ 1,865 | \$ 2,324 |
| Revolver | 50,000 | 50,000 | 50,000 | 50,000 |

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(10) Stock Repurchase Program

On February 17, 2011, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to \$50.0 million of our common stock. Any repurchases will be made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on its evaluation of our stock price, market conditions and other corporate considerations.

For the 13 weeks ended March 29, 2011, we paid approximately \$25.3 million to repurchase 1,500,000 shares of our common stock. These shares are recorded in Treasury stock on the condensed consolidated balance sheets. These shares were retired in second quarter of 2011.

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

OVERVIEW

Texas Roadhouse is a growing, moderately priced, full-service restaurant chain. Our founder and chairman, W. Kent Taylor, started the business in 1993. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown destination for a broad segment of consumers seeking high quality, affordable meals served with friendly, attentive service. As of March 29, 2011, there were 347 restaurants operating in 46 states, including:

- 276 company restaurants, of which 265 were wholly-owned and 11 were majority-owned. The results of operations of company restaurants are included in our condensed consolidated statements of income. The portion of income attributable to minority interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our condensed consolidated statements of income.

- 71 franchise restaurants, of which 68 were franchise restaurants and three were license restaurants. We have a 5.0% to 10.0% ownership interest in 21 franchise restaurants. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity income from investments in unconsolidated affiliates" in our condensed consolidated statements of income. Additionally, we provide various management services to these franchise restaurants, as well as seven additional franchise restaurants in which we have no ownership interest.

We have contractual arrangements which grant us the right to acquire at pre-determined valuation formulas (i) the remaining equity interests in nine of the 11 majority-owned company restaurants, and (ii) 65 of the franchise restaurants.

Presentation of Financial and Operating Data

Throughout this report, the 13 weeks ended March 29, 2011 and March 30, 2010 are referred to as Q1 2011 and Q1 2010.

Long-term Strategies to Grow Earnings Per Share

Our long-term strategies with respect to increasing net income and earnings per share include the following:

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Expanding Our Restaurant Base. We will continue to evaluate opportunities to develop Texas Roadhouse restaurants in existing and new domestic and international markets. Domestically, we will remain focused primarily on mid-sized markets where we believe a significant demand for our restaurants exists because of population size, income levels, the presence of shopping and entertainment centers and a significant employment base. Our ability to expand our restaurant base is influenced by many factors beyond our control and therefore we may not be able to achieve our anticipated growth.

We may, at our discretion, add franchise restaurants, domestically and/or internationally, primarily with franchisees who have demonstrated prior success with the Texas Roadhouse or other restaurant concepts and in markets in which the franchisee demonstrates superior knowledge of the demographics and restaurant operating conditions. In conjunction with this strategy, we signed our first international franchise agreement on April 26, 2010 for the development of Texas Roadhouse restaurants in eight countries in the Middle East over the next ten years, the first of which is expected to open in mid-2011. Additionally, in 2010, we entered into a joint venture agreement with a casual dining restaurant operator in China for minority ownership in three non-Texas Roadhouse restaurants yet to be opened. We may also look to acquire franchise restaurants under terms favorable to us and our stockholders. Additionally, from time to time, we may evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. Of the 276 restaurants we owned and operated at March 29, 2011, 273 operated as Texas Roadhouse restaurants, while three operated under the name of Aspen Creek. All of our planned restaurant growth in 2011 will be Texas Roadhouse restaurants.

Maintaining and/or Improving Restaurant Level Profitability. We plan to maintain, or possibly increase, restaurant level profitability through a combination of increased comparable restaurant sales and operating cost management. In Q1 2011, our average unit volumes and comparable restaurant sales increased 4.8% and 4.6%, respectively. The growth in these measures was primarily due to higher guest traffic counts, which we believe is due to our continued focus on encouraging repeat visits by our guests by not sacrificing any operational standards relating to our quality of food and service, along with an improvement in the overall economy. We also continue to drive various localized marketing programs in order to attract new guests and increase the frequency of visits of our existing guests. Additionally, we have been conservative with menu price increases. While this may create a challenge in terms of maintaining and/or increasing restaurant margins in any given year, depending on the level of inflation we experience, we believe that it is important to remain conservative with menu price increases for the long term success of the business.

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Leveraging Our Scalable Infrastructure. To support our growth, we continue to make investments in our infrastructure. Over the past several years, we have made significant investments in our infrastructure, including information systems, real estate, human resources, legal, marketing and operations. Historically, general and administrative costs have increased at a slower growth rate than our revenue. Whether we are able to leverage our infrastructure in the future will depend, in part, on our new restaurant openings and our comparable restaurant sales growth rate going forward.

Returning Capital to Shareholders. We continue to look at opportunities to return capital to our shareholders, including through repurchases of common stock and payment of dividends. On February 17, 2011, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to \$50.0 million of our common stock. Any repurchases will be made through open market transactions. As of March 29, 2011, \$24.8 million remained authorized for repurchase.

On February 17, 2011, our Board of Directors authorized the payment of a cash dividend of \$0.08 per share of common stock. This payment was distributed on April 1, 2011, to shareholders of record at the close of business on March 16, 2011. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our credit facility and other contractual restrictions, or other factors deemed relevant.

Key Measures We Use to Evaluate Our Company

Key measures we use to evaluate and assess our business include the following:

Number of Restaurant Openings. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For company restaurant openings we incur pre-opening costs, which are defined below, before the restaurant opens. Typically new restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately three to six months after opening. However, although sales volumes are generally higher, so are initial costs, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately three to six months after opening.

Comparable Restaurant Sales Growth. Comparable restaurant sales growth reflects the change in year-over-year sales for all company restaurants for the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the current interim period excluding restaurants closed during the period. Comparable restaurant sales growth can be impacted by changes in guest traffic counts or by changes in the per person average check amount. Menu price changes and the mix of menu items sold can affect the per person average check amount.

Average Unit Volume. Average unit volume represents the average annual restaurant sales for all company restaurants open for a full six months before the beginning of the period measured. Average unit volume excludes sales on restaurants closed during the period. Growth in average unit volumes in excess of comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels in excess of the company average. Conversely, growth in average unit volumes less than growth in comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels lower than the company average.

Store Weeks. Store weeks represent the number of weeks that our company restaurants were open during the reporting period.

Other Key Definitions

Restaurant Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the condensed consolidated statements of income.

Franchise Royalties and Fees. Domestic franchisees typically pay a \$40,000 initial franchise fee for each new restaurant and a one-time fee payable for each renewal period equal to the greater of 30% of the then-current initial franchise fee or \$10,000 to \$15,000. Franchise royalties consist of royalties in an amount up to 4.0% of gross sales, as defined in our franchise agreement, paid to us by our domestic franchisees.

Restaurant Cost of Sales. Restaurant cost of sales consists of food and beverage costs.

Restaurant Labor Expenses. Restaurant labor expenses include all direct and indirect labor costs incurred in operations except for profit sharing incentive compensation expenses earned by our restaurant managers. These profit sharing expenses are reflected in restaurant other operating expenses. Restaurant labor expenses also include share-based compensation expense related to restaurant-level employees.

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Restaurant Rent Expense. Restaurant rent expense includes all rent associated with the leasing of real estate and includes base, percentage and straight-line rent expense.

Restaurant Other Operating Expenses. Restaurant other operating expenses consist of all other restaurant-level operating costs, the major components of which are utilities, supplies, advertising, repair and maintenance, property taxes, credit card fees and general liability insurance. Profit sharing allocations to managing partners and market partners are also included in restaurant other operating expenses.

Pre-opening Expenses. Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new restaurant and are comprised principally of opening team and training salaries, travel expenses, rent, and food, beverage and other initial supplies and expenses.

Depreciation and Amortization Expenses. Depreciation and amortization expenses (D&A) includes the depreciation of fixed assets and amortization of intangibles with definite lives.

Impairment and closure costs. Impairment and closure costs include any impairment of long-lived assets associated with restaurants where the carrying amount of the asset is not recoverable and exceeds the fair value of the asset and expenses associated with the closure of a restaurant. Closure costs also include any gains or losses associated with the sale of a closed restaurant and/or assets held for sale.

General and Administrative Expenses. General and administrative expenses (G&A) are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth. Supervision and accounting fees received from certain franchise restaurants and license restaurants are offset against G&A. G&A also includes share-based compensation expense related to executive officers, support center employees and area managers, including market partners.

Interest Expense, Net. Interest expense includes the cost of our debt obligations including the amortization of loan fees, reduced by interest income and capitalized interest. Interest income includes earnings on cash and cash equivalents.

Equity Income from Unconsolidated Affiliates. As of March 29, 2011 and March 30, 2010, we owned a 5.0% to 10.0% equity interest in 21 franchise restaurants. Equity income from unconsolidated affiliates represents our percentage share of net income earned by these unconsolidated affiliates.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned or controlled restaurants. Our consolidated subsidiaries at March 29, 2011 and March 30, 2010 included 11 and 10 majority-owned restaurants, respectively, all of which were open.

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Managing Partners and Market Partners. Managing partners are single unit operators who have primary responsibility for the day-to-day operations of the entire restaurant and are responsible for maintaining the standards of quality and performance we establish. Market partners, generally, have supervisory responsibilities for up to 12 to 15 restaurants. In addition to supervising the operations of our restaurants, they are also responsible for the hiring and development of each restaurant's management team and assist in the new restaurant site selection process.

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| (\$ in thousands) | 13 Weeks Ended | | | |
|--|----------------|--------------|----------------|--------------|
| | March 29, 2011 | | March 30, 2010 | |
| | \$ | % | \$ | % |
| Revenue: | | | | |
| Restaurant sales | 281,320 | 99.1 | 257,342 | 99.1 |
| Franchise royalties and fees | 2,465 | 0.9 | 2,282 | 0.9 |
| Total revenue | 283,785 | 100.0 | 259,624 | 100.0 |
| Costs and expenses: | | | | |
| <i>(As a percentage of restaurant sales)</i> | | | | |
| Restaurant operating costs: | | | | |
| Cost of sales | 93,541 | 33.3 | 82,799 | 32.2 |
| Labor | 82,720 | 29.4 | 74,909 | 29.1 |
| Rent | 5,657 | 2.0 | 5,270 | 2.0 |
| Other operating | 45,281 | 16.1 | 42,598 | 16.6 |
| <i>(As a percentage of total revenue)</i> | | | | |
| Pre-opening | 1,890 | 0.7 | 1,105 | 0.4 |
| Depreciation and amortization | 10,600 | 3.7 | 10,337 | 4.0 |
| Impairment and closure | 26 | NM | 158 | 0.1 |
| General and administrative | 13,861 | 4.9 | 12,342 | 4.8 |
| Total costs and expenses | 253,576 | 89.4 | 229,518 | 88.4 |
| Income from operations | 30,209 | 10.6 | 30,106 | 11.6 |
| Interest expense, net | 565 | 0.2 | 730 | 0.3 |
| Equity income from investments in unconsolidated affiliates | (103) | NM | (108) | NM |
| Income before taxes | 29,747 | 10.5 | 29,484 | 11.4 |
| Provision for income taxes | 9,272 | 3.3 | 9,606 | 3.7 |
| Net income including noncontrolling interests | 20,475 | 7.2 | 19,878 | 7.7 |
| Net income attributable to noncontrolling interests | 682 | 0.2 | 637 | 0.3 |
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries | 19,793 | 7.0 | 19,241 | 7.4 |

NM Not meaningful

Restaurant Unit Activity

| | Company | Franchise | Total |
|------------------------------|---------|-----------|-------|
| Balance at December 28, 2010 | 274 | 71 | 345 |
| Openings | 2 | | 2 |

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| | | | |
|-----------------------------|-----|----|-----|
| Acquisitions (Dispositions) | | | |
| Closures | | | |
| Balance at March 29, 2011 | 276 | 71 | 347 |

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Q1 2011 (13 weeks) Compared to Q1 2010 (13 weeks)

Restaurant Sales. Restaurant sales increased by 9.3% in Q1 2011 as compared to Q1 2010. This increase was attributable to an increase in the opening of new restaurants and an increase in average unit volumes.

The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods presented.

| | Q1 2011 | Q1 2010 |
|------------------------------------|----------|---------|
| Increase in store weeks | 4.6% | 5.0% |
| Increase in average unit volumes | 4.8% | 0.3% |
| Other (1) | (0.1)% | 0.1% |
| Total increase in restaurant sales | 9.3% | 5.4% |
| Store weeks | 3,568 | 3,412 |
| Comparable restaurant sales growth | 4.6% | 0.4% |
| Average unit volume (in thousands) | \$ 1,022 | \$ 975 |

(1) Includes the impact of the year-over-year change in sales volume of restaurants open less than six months before the beginning of the period measured and, if applicable, the impact of restaurants closed during the period.

The increase in store weeks for Q1 2011 and Q1 2010 was primarily attributable to the opening of new restaurants. Company restaurant count activity is shown in the restaurant unit activity table above.

The increase in average unit volumes for Q1 2011 compared to Q1 2010 was primarily driven by a combination of positive comparable restaurant sales and higher year-over-year sales at newer restaurants. For Q1 2011 and Q1 2010, comparable restaurants sales increased 4.6% and 0.4%, respectively. The increase in Q1 2011 was generated primarily by an increase in guest traffic counts, along with a slight increase in our per person average check. The increase in Q1 2010 was generated primarily by an increase in our per person average check, partially offset by a decline in guest traffic counts.

While we did not take any pricing increases in 2010 due to the favorable commodities environment, we did take a menu price increase averaging approximately 1% during Q1 2011 as a result of expected inflationary pressures, primarily in commodities. In the past, average guest check has not increased in line with menu price increases, as some guests were purchasing fewer alcoholic beverages and/or shifting their selections to lower priced menu items. However, based on results in Q1 2011, we anticipate that our average guest check will increase in line with our current menu price increase. We are currently evaluating the potential for additional menu price increases in 2011.

In 2011, we plan to open 20 company restaurants, two of which opened in Q1 2011. We have either begun construction or have sites under contract for purchase or lease for the 18 remaining restaurants. We may evaluate additional opportunities for international development and

possibly acquire additional franchise restaurants in 2011.

Franchise Royalties and Fees. Franchise royalties and fees increased by \$0.2 million, or by 8.0% in Q1 2011 from Q1 2010. This increase was primarily attributable to an increase in average unit volumes, increasing royalty rates in conjunction with the renewal of certain franchise agreements, and the opening of a new restaurant in the second quarter of fiscal 2010. Franchise comparable restaurant sales increased 3.8% in Q1 2011. Franchise restaurant count activity is shown in the restaurant unit activity table above.

Restaurant Cost of Sales. Restaurant cost of sales, as a percentage of restaurant sales, increased to 33.3% in Q1 2011 from 32.2% in Q1 2010. This increase was primarily attributable to higher costs associated with produce, specifically potatoes and lettuce, as well as higher costs for pork and beef items. For 2011, we have fixed price contracts, which include some floor and ceiling pricing, for 65%-70% of our overall food costs with the remainder subject to fluctuating market prices. For Q1 2011, commodity cost inflation was approximately 3.0%. As a result of higher produce costs, we have increased our expectation for commodity cost inflation in 2011 to approximately 4.0% from our prior estimate of approximately 3.0%.

Restaurant Labor Expenses. Restaurant labor expenses, as a percentage of restaurant sales, increased to 29.4% in Q1 2011 from 29.1% in Q1 2010. This increase was primarily attributable to higher average wage rates and higher costs associated with group insurance and share-based compensation expense, partially offset by an increase in average unit volumes.

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We anticipate our labor costs will continue to be pressured by higher insurance costs and inflation, driven by higher wage rates partially due to federal and state-mandated increases in minimum and tip wage rates. These increases may or may not be offset by additional menu price increases.

Restaurant Rent Expense. Restaurant rent expense, as a percentage of restaurant sales, remained the same in Q1 2011 compared to Q1 2010 at 2.0%. In Q1 2011, the benefit from an increase in average unit volumes offset the impact of leasing more land and buildings than in the past.

Restaurant Other Operating Expenses. Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 16.1% in Q1 2011 from 16.6% in Q1 2010. This decrease was primarily attributable to an increase in average unit volumes, lower utility costs and lower costs associated with general liability insurance, partially offset by higher write-offs of fixed assets associated with remodelings at several restaurants. Utility costs were lower primarily due to lower natural gas prices in Q1 2011 compared to Q1 2010, while general liability insurance costs were lower due to a decrease in claims handling fees in Q1 2011 compared to Q1 2010. We expect higher write-offs of fixed assets associated with remodeling throughout 2011, as we plan to continue to invest in the remodeling of certain restaurants in order to maintain our facilities.

Restaurant Pre-opening Expenses. Pre-opening expenses in Q1 2011 increased to \$1.9 million from \$1.1 million in 2010. This increase was primarily attributable to more restaurants in the development pipeline during Q1 2011 as compared to Q1 2010, driven by our plan to open 20 company restaurants in 2011 as compared to 14 company restaurants in 2010 and our plans to open even more restaurants in 2012. Pre-opening costs will fluctuate from period to period based on the number and timing of restaurant openings and the number and timing of restaurant managers hired. Based on our increased restaurant development plans, we expect pre-opening expenses to be higher in 2011.

Depreciation and Amortization Expense (D&A). D&A, as a percentage of total revenue, decreased to 3.7% in Q1 2011 from 4.0% in Q1 2010. This decrease was primarily attributable to an increase in average unit volumes and lower depreciation expense on older restaurants, partially offset by higher depreciation expense, as a percentage of revenue, on newer restaurants.

Impairment and Closure Expenses. Impairment and closure expenses decreased to \$26,000 in Q1 2011 compared to \$158,000 in Q1 2010. This decrease was primarily attributable to a charge of \$0.1 million associated with the write-down of equipment at one restaurant closed in the second quarter of fiscal 2010.

General and Administrative Expenses (G&A). G&A, as a percentage of total revenue, increased to 4.9% in Q1 2011 from 4.8% in Q1 2010. This increase was primarily attributable to higher share-based compensation costs in Q1 2011 as a result of a one-time charge of \$0.5 million related to restricted stock units granted in 2010. In addition, we incurred additional share-based compensation costs as a result of a grant of restricted stock units on January 8, 2011 in conjunction with the extension of certain executive employment contracts at the beginning of 2010. We expect share-based compensation costs to be approximately \$1.7 million higher in 2011 as a result of this grant.

Interest Expense, Net. Net interest expense decreased to \$0.6 million in Q1 2011 from \$0.7 million in Q1 2010. This decrease was primarily attributable to the decrease in outstanding borrowings under our credit facility.

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Income Tax Expense. We account for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740). Our effective tax rate decreased to 31.9% in Q1 2011 from 33.3% in Q1 2010. The decrease was primarily attributable to higher FICA tip tax credits as a percentage of pre-tax income, the HIRE Retention tax credit and higher tax deductions for disqualified incentive stock option exercises. The HIRE Retention tax credit is a 2011 federal tax credit enacted to encourage the retention of new hires for 52 weeks. The credit is only available for eligible new employees hired between February 4, 2010 and December 31, 2010 that remain employed for 52 consecutive weeks. We expect the effective tax rate to be approximately 32.0% for fiscal 2011.

Liquidity and Capital Resources

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities:

| (in thousands) | 13 Weeks Ended | |
|--|----------------|----------------|
| | March 29, 2011 | March 30, 2010 |
| Net cash provided by operating activities | \$ 32,136 | \$ 22,684 |
| Net cash used in investing activities | (12,409) | (7,801) |
| Net cash used in financing activities | (24,522) | (7,998) |
| Net (decrease)/increase in cash and cash equivalents | \$ (4,795) | \$ 6,885 |

Net cash provided by operating activities was \$32.1 million in Q1 2011 compared to \$22.7 million in Q1 2010. This increase was

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primarily due to changes in income tax liability as well as other changes in working capital.

Our operations have not required significant working capital and, like many restaurant companies, we have been able to operate with negative working capital. Sales are primarily for cash, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, thereby reducing the need for incremental working capital to support growth.

Net cash used in investing activities was \$12.4 million in Q1 2011 compared to \$7.8 million in Q1 2010. This increase was primarily due to spending on capital expenditures.

We require capital principally for the development of new company restaurants and the refurbishment of existing restaurants. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land where it is cost effective. As of March 29, 2011, 117 of the 276 company restaurants had been developed on land which we owned.

The following table presents a summary of capital expenditures related to the development of new restaurants, the refurbishment of existing restaurants and the acquisition of franchise restaurants:

| (in thousands) | Q1 2011 | | Q1 2010 | |
|--|---------|--------|---------|-------|
| New company restaurants | \$ | 8,589 | \$ | 4,256 |
| Refurbishment of existing restaurants (1) | | 3,869 | | 3,566 |
| Total capital expenditures | \$ | 12,458 | \$ | 7,822 |
| <hr/> | | | | |
| Restaurant-related repairs and maintenance expense (2) | \$ | 2,852 | \$ | 2,789 |

(1) Includes minimal capital expenditures related to support center office.

(2) These amounts were recorded as an expense in the income statement as incurred.

Our future capital requirements will primarily depend on the number of new restaurants we open and the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In fiscal 2011, we expect our capital expenditures to be approximately \$65.0 to \$70.0 million, the majority of which will relate to planned restaurant openings. This amount excludes any cash used for franchise acquisitions. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities and, if needed, funds available under our credit facility. For 2011, we anticipate net cash provided by operating activities will exceed capital expenditures, which we currently plan to use to increase our cash balance, repurchase common stock, pay dividends, if approved by our Board of Directors, and/or repay borrowings under our credit facility.

Net cash used in financing activities was \$24.5 million in Q1 2011 as compared to \$8.0 million in Q1 2010. This increase was primarily due to stock repurchases, offset by lower payments of borrowings under our credit facility.

On February 17, 2011, our Board of Directors approved a stock repurchase program under which we were authorized to repurchase up to \$50 million of our common stock. Any repurchases will be made through open market transactions. The timing and the amount of any repurchases will be determined by the Company's management under parameters established by the Board of Directors, based on its evaluation of the Company's stock price, market conditions and other corporate considerations. For the 13 weeks ended March 29, 2011, we paid approximately \$25.3 million to repurchase 1,500,000 shares of our common stock.

On February 17, 2011, our Board of Directors authorized the payment of a cash dividend of \$0.08 per share of common stock. This payment was distributed on April 1, 2011, to shareholders of record at the close of business on March 16, 2011. The declared dividends are included as a liability on our condensed consolidated balance sheet as of March 29, 2011.

In Q1 2011 and Q1 2010, we paid distributions of \$0.6 million to equity holders of ten of our majority-owned company restaurants.

We have a \$250.0 million five-year revolving credit facility with a syndicate of commercial lenders led by Bank of America, N.A., Banc of America Securities LLC and PNC Bank. The facility expires on May 31, 2012. The terms of the facility require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.50% to 0.875%, depending on our leverage ratio, or the Base Rate, which is the higher of the issuing bank's prime lending rate or the Federal funds rate plus 0.50%. We are also required to pay a commitment fee of 0.10% to 0.175% per year on any unused portion of the facility, depending on our leverage ratio. The weighted-average interest rate for the revolver at March 29, 2011 and December 28, 2010 was 3.59%, including interest rate swaps.

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The lenders' obligation to extend credit under the facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of March 29, 2011.

At March 29, 2011, we had \$50.0 million of outstanding borrowings under our credit facility and \$196.2 million of availability net of \$3.8 million of outstanding letters of credit. In addition, we had various other notes payable totaling \$1.8 million with interest rates ranging from 10.46% to 10.80%. Each of these notes related to the financing of specific restaurants. Our total weighted-average effective interest rate at March 29, 2011 was 3.83%, including interest rate swaps.

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount. Our counterparty in this interest rate swap is J.P. Morgan Chase, N.A.

On January 7, 2009, we entered into another interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount. Our counterparty in this interest rate swap is J.P. Morgan Chase, N.A.

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of March 29, 2011:

| | Total | Payments Due by Period | | | |
|-----------------------------------|------------|------------------------|----------------|--------------|----------------------|
| | | Less than 1 year | 1-3 Years | 3-5 Years | More than 5 years |
| | | | (in thousands) | | |
| Long-term debt obligations | \$ 51,819 | \$ 190 | \$ 50,446 | \$ 524 | \$ 659 |
| Capital lease obligations | 294 | 91 | 203 | | |
| Interest (1) | 10,575 | 1,793 | 3,585 | 3,585 | 1,612 |
| Operating lease obligations | 198,313 | 21,456 | 42,270 | 37,728 | 96,859 |
| Capital obligations | 58,916 | 58,916 | | | |
| Total contractual obligations (2) | \$ 319,917 | \$ 82,446 | \$ 96,504 | \$ 41,837 | \$ 99,130 |

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- (1) Assumes constant rate until maturity for our fixed and variable rate debt and capital lease obligations.

Uses interest rates as of March 29, 2011 for our variable rate debt. Interest payments on our variable-rate revolving credit facility balance at March 29, 2011 are calculated based on the assumption that debt relating to the interest rate swaps covering notional amounts totaling \$50.0 million remains outstanding until the expiration of the respective swap arrangements. The interest rates used in determining interest payments to be made under the interest rate swap agreements were determined by taking the applicable fixed rate of each swap plus the 0.50% margin, which was in effect as of March 29, 2011.

- (2) Unrecognized tax benefits under FASB ASC 740 are immaterial and, therefore, are excluded from this amount.

The Company has no material minimum purchase commitments with its vendors that extend beyond a year. See note 6 to the condensed consolidated financial statements for details of contractual obligations.

Off-Balance Sheet Arrangements

Except for operating leases (primarily restaurant leases), we do not have any off-balance sheet arrangements.

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Guarantees

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, Longmont, CO, Montgomeryville, PA, Fargo, ND and Logan, UT prior to our granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Longmont lease expires in May 2014, the Everett lease expires in February 2018, the Montgomeryville lease expires in June 2021, the Fargo lease expires in July 2016 and the Logan lease expires in August 2019. As the fair value of these guarantees is not considered significant, no liability value has been recorded.

Recently Issued Accounting Standards

Fair Value Measures and Disclosures

(Accounting Standards Update (ASU) 2010-06)

In January 2010, the FASB issued ASU 2010-06 which amends Accounting Standards Codification (ASC) topic 820, *Fair Value Measures and Disclosures*. ASU No. 2010-06 amends the ASC to require disclosure of transfer into and out of Level 1 and Level 2 fair value measurements, and also require more detailed disclosure about the activity within Level 3 fair value measurements. The changes as a result of this update are effective for annual and interim reporting periods beginning after December 15, 2009 (our 2010 fiscal year), except for requirements related to Level 3 disclosures, which are effective for annual and interim reporting periods beginning after December 15, 2010 (our 2011 fiscal year). This guidance requires new disclosures only, and had no impact on our consolidated financial position, results of operations or cash flows.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt and dependent on the interest rate option we choose to utilize under our revolving line of credit. Our options for the rate are the Base Rate, which is the higher of the issuing bank's prime lending rate or the Federal Funds rate plus 0.50%, or the London Interbank Offered Rate (LIBOR) plus an applicable margin. At March 29, 2011 there was \$50.0 million outstanding under our revolving line of credit which bears interest at approximately 50 to 87.5 basis points (depending on our leverage ratios) over LIBOR. Our various other notes payable totaled \$1.8 million at March 29, 2011 and had fixed rates ranging from 10.46% to 10.80%. Should interest rates on our variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by \$0.5 million.

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount.

On January 7, 2009, we entered into another interest rate swap, starting February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount.

By using derivative instruments to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is J.P. Morgan Chase, N.A.

Many of the ingredients used in the products sold in our restaurants are commodities that are subject to unpredictable price volatility. Currently, we do not utilize fixed price contracts for certain commodities such as produce and cheese, therefore, we are subject to prevailing market conditions when purchasing those types of commodities. For other commodities, we employ various purchasing and pricing contract techniques in an effort to minimize volatility, including fixed price contracts for terms of generally one year or less and negotiating prices with vendors with reference to fluctuating market prices. We currently do not use financial instruments to hedge commodity prices, but we will continue to evaluate their effectiveness. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected.

We are subject to business risk as our beef supply is highly dependent upon three vendors. If these vendors were unable to fulfill their obligations under their contracts, we may encounter supply shortages and incur higher costs to secure adequate supplies, any of which would harm our business.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of our management, including the Chief Executive Officer (the CEO) and the Chief Financial Officer (the CFO), our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control

During the period covered by this report, there were no changes with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including slip and fall accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us and, as of the date of this report, we are not party to any litigation that we believe would have a material adverse effect on our business.

On October 8, 2010, the U.S. Equal Employment Opportunity Commission (EEOC) for the Boston Area Office issued a determination letter in Charge No. 523-2009-00643 alleging that we engaged in a pattern and practice of age discrimination in hiring for certain restaurant positions in violation of the Age Discrimination in Employment Act. The determination alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking remedial actions and the payment of damages to applicants. We have denied the allegation and intend to vigorously defend against the charge. We are currently engaged in the conciliation process with the EEOC. Based on the preliminary status of this matter, we cannot estimate the possible amount or range of loss, if any, associated with this matter.

On January 19, 2011, a civil case styled as a class action complaint titled *Jenna Crenshaw, Andrew Brickley, et al, and all others similarly situated v. Texas Roadhouse, Inc., Texas Roadhouse Holdings, LLC, Texas Roadhouse of Everett, LLC and Texas Roadhouse Management Corp., d/b/a Texas Roadhouse (Crenshaw)*, Superior Court Civil Action Number 11-0157, was filed against us in Middlesex County, Massachusetts. The complaint was subsequently amended to add additional plaintiffs, all of whom have alleged a failure to comply with Massachusetts labor laws, specifically that we improperly shared pooled tips with ineligible employees. The complaint alleges violations in all of our restaurants in Massachusetts. Currently, we operate nine restaurants in the state. We have filed notice to remove the case to federal court, filed an answer denying all material allegations and are in the early phases of discovery.

We believe that we have meritorious defenses to the claims made in the Crenshaw case, and we intend to vigorously defend against them, including plaintiffs efforts to certify a class action. Based on the preliminary status of this matter, we cannot estimate the possible amount or range of loss, if any, associated with this matter. However, if the court imposes statutory penalties, including restitution of the difference between the tip credit wage and minimum wage, restitution of tips, treble damages and attorneys fees, then the case could have a material adverse effect on our consolidated financial position, results of operation or cash flows.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in our Annual Report on Form 10-K for the year ended December 28, 2010, under the heading Special Note Regarding Forward-looking Statements and in the Form 10-K Part I, Item 1A, Risk Factors. There have been no material changes from the risk factors previously disclosed in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 14, 2008, our Board of Directors approved a stock repurchase program under which we were authorized to repurchase up to \$25.0 million of our common stock in open market transactions during the two-year period ending February 14, 2010, which was later extended to February 14, 2011. On July 8, 2008, our Board of Directors approved a \$50.0 million increase in this stock repurchase program. This stock repurchase program expired on February 14, 2011.

On February 17, 2011, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to \$50.0 million of our common stock. Any repurchases will be made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on its evaluation of our stock price, market conditions and other corporate considerations.

The following table includes information regarding purchases of our common stock made by us during the 13 weeks ended March 29, 2011:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------------------|---|-------------------------------------|---|---|
| December 29 to January 25 | | | | \$ 50,000,000 |
| January 26 to February 22 | | | | \$ 50,000,000 |
| February 23 to March 29 | 1,500,000 | \$ 16.83 | 1,500,000 | \$ 24,760,548 |
| Total | 1,500,000 | | 1,500,000 | |

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (Removed and Reserved)

None.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

| Exhibit No. | Description |
|--------------------|--|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial statements from the Texas Roadhouse, Inc. Quarterly Report on Form 10-Q for the quarter ended March 29, 2011, filed on May 6, 2011, formatted in Extensive Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Stockholders Equity and Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Condensed Consolidated Financial Statements. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS ROADHOUSE, INC.

Date: May 6, 2011

By: /s/ G.J. Hart
G.J. Hart
President, Chief Executive Officer
(principal executive officer)

Date: May 6, 2011

By: /s/ Scott M. Colosi
Scott M. Colosi
Chief Financial Officer
(principal financial officer)
(chief accounting officer)