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Texas Roadhouse, Inc.  
Form 10-Q  
November 03, 2017  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 26, 2017

OR

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)

Delaware  
(State or other jurisdiction of

20-1083890  
(IRS Employer

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incorporation or organization) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

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The number of shares of common stock outstanding were 71,106,215 on October 25, 2017.

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## PART I — FINANCIAL INFORMATION

## ITEM 1 — FINANCIAL STATEMENTS

## Texas Roadhouse, Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

(unaudited)

	September 26, 2017	December 27, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 114,436	\$ 112,944
Receivables, net of allowance for doubtful accounts of \$52 at September 26, 2017 and \$33 at December 27, 2016	24,979	56,127
Inventories, net	15,453	16,088
Prepaid income taxes	—	954
Prepaid expenses	10,461	12,150
Deferred tax assets, net	—	1,996
Total current assets	165,329	200,259
Property and equipment, net of accumulated depreciation of \$512,061 at September 26, 2017 and \$457,102 at December 27, 2016	886,972	830,054
Goodwill	121,040	116,571
Intangible assets, net of accumulated amortization of \$12,445 at September 26, 2017 and \$11,753 at December 27, 2016	2,930	3,622
Other assets	36,448	29,465
Total assets	\$ 1,212,719	\$ 1,179,971
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt and obligation under capital lease	\$ 9	\$ 167
Accounts payable	48,979	50,789
Deferred revenue-gift cards	70,648	129,558
Accrued wages	29,580	26,039
Income taxes payable	8,581	—
Accrued taxes and licenses	23,483	19,698
Dividends payable	14,931	13,418
Other accrued liabilities	42,058	39,858
Total current liabilities	238,269	279,527

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Long-term debt and obligation under capital lease, excluding current maturities	51,984	52,381
Stock option and other deposits	7,549	7,491
Deferred rent	40,261	36,103
Deferred tax liabilities, net	4,707	12,268
Other liabilities	39,157	33,959
Total liabilities	381,927	421,729
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock (\$0.001 par value, 100,000,000 shares authorized, 71,101,654 and 70,619,737 shares issued and outstanding at September 26, 2017 and December 27, 2016, respectively)	71	71
Additional paid-in-capital	229,909	219,626
Retained earnings	588,826	530,723
Accumulated other comprehensive loss	(63)	(194)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	818,743	750,226
Noncontrolling interests	12,049	8,016
Total equity	830,792	758,242
Total liabilities and equity	\$ 1,212,719	\$ 1,179,971
See accompanying notes to condensed consolidated financial statements.		

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share data)

(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	September 26, 2017	September 27, 2016	September 26, 2017	September 27, 2016
Revenue:				
Restaurant sales	\$ 536,341	\$ 477,617	\$ 1,661,821	\$ 1,493,531
Franchise royalties and fees	4,166	4,020	12,634	12,473
Total revenue	540,507	481,637	1,674,455	1,506,004
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	176,498	161,886	545,862	506,565
Labor	169,355	145,301	514,287	442,861
Rent	11,257	10,266	33,238	30,477
Other operating	83,679	73,583	254,176	227,082
Pre-opening	4,548	5,017	14,302	14,253
Depreciation and amortization	23,534	20,941	69,236	60,718
Impairment and closure	2	13	13	54
General and administrative	26,123	26,162	94,594	82,933
Total costs and expenses	494,996	443,169	1,525,708	1,364,943
Income from operations	45,511	38,468	148,747	141,061
Interest expense, net	500	288	1,211	902
Equity income from investments in unconsolidated affiliates	(359)	(4)	(1,149)	(831)
Income before taxes	45,370	38,184	\$ 148,685	\$ 140,990
Provision for income taxes	13,046	11,381	41,159	42,325
Net income including noncontrolling interests	32,324	26,803	\$ 107,526	\$ 98,665
Less: Net income attributable to noncontrolling interests	1,310	1,128	4,618	3,792
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 31,014	\$ 25,675	\$ 102,908	\$ 94,873
Other comprehensive income (loss), net of tax:				
Unrealized gain on derivatives, net of tax of (\$-), (\$-), (\$-) and (\$18), respectively	—	—	—	27
Foreign currency translation adjustment, net of tax of (\$55), (\$18), (\$82) and \$7, respectively	88	29	131	(11)
Total other comprehensive income, net of tax	88	29	131	16
Total comprehensive income	\$ 31,102	\$ 25,704	\$ 103,039	\$ 94,889

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Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:

Basic	\$ 0.44	\$ 0.36	\$ 1.45	\$ 1.35
Diluted	\$ 0.43	\$ 0.36	\$ 1.44	\$ 1.34
Weighted average shares outstanding:				
Basic	71,067	70,477	70,939	70,338
Diluted	71,532	70,981	71,449	70,898
Cash dividends declared per share	\$ 0.21	\$ 0.19	\$ 0.63	\$ 0.57

See accompanying notes to condensed consolidated financial statements.



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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders' Equity

(in thousands, except share and per share data)

(unaudited)

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 27, 2016	70,619,737	\$ 71	\$ 219,626	\$ 530,723	\$ (194)	\$ 750,226	\$ 8,016	\$ 758,242
Net income	—	—	—	102,908	—	102,908	4,618	107,526
Other comprehensive income, net	—	—	—	—	131	131	—	131
Noncontrolling interests contribution	—	—	—	—	—	—	3,457	3,457
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(4,042)	(4,042)
Dividends declared and paid (\$0.42 per share)	—	—	—	(29,805)	—	(29,805)	—	(29,805)
Dividends declared (\$0.21 per share)	—	—	—	(14,931)	—	(14,931)	—	(14,931)
Shares issued under share-based compensation plans	701,827	1	1,484	—	—	1,485	—	1,485
Indirect repurchase of shares for minimum tax withholdings	(219,910)	(1)	(10,096)	—	—	(10,097)	—	(10,097)
Cumulative effect of change in accounting	—	—	69	(69)	—	—	—	—

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principle Share-based compensation	—	—	18,826	—	—	18,826	—	18,826
Balance, September 26, 2017	71,101,654	\$ 71	\$ 229,909	\$ 588,826	\$ (63)	\$ 818,743	\$ 12,049	\$ 830,792

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)

	39 Weeks Ended	
	September 26, 2017	September 27, 2016
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 107,526	\$ 98,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,236	60,718
Deferred income taxes	(5,647)	(3,270)
Loss on disposition of assets	3,490	3,509
Impairment and closure costs	—	139
Equity income from investments in unconsolidated affiliates	(1,149)	(831)
Distributions of income received from investments in unconsolidated affiliates	585	1,765
Provision for doubtful accounts	19	9
Share-based compensation expense	18,826	18,347
Changes in operating working capital:		
Receivables	31,129	23,373
Inventories	805	1,276
Prepaid expenses	1,689	1,985
Other assets	(5,729)	(3,003)
Accounts payable	(3,162)	(9,352)
Deferred revenue—gift cards	(59,302)	(46,146)
Accrued wages	3,541	(8,471)
Excess tax benefits from share-based compensation	—	(2,698)
Prepaid income taxes and income taxes payable	9,535	9,760
Accrued taxes and licenses	3,785	1,698
Other accrued liabilities	3,536	5,594
Deferred rent	4,158	3,412
Other liabilities	5,199	3,303
Net cash provided by operating activities	188,070	159,782
Cash flows from investing activities:		
Capital expenditures—property and equipment	(117,037)	(113,219)
Acquisition of franchise restaurants, net of cash acquired	(16,528)	—
Net cash used in investing activities		