

Texas Roadhouse, Inc.  
Form 10-Q  
November 03, 2006

**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, 2006  
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  
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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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 Class A and Class B common stock outstanding were 68,854,169 and 5,265,376, respectively, on October 27, 2006.

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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)

	September 26, 2006	December 27, 2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,290	\$ 28,987
Receivables, net of allowance for doubtful accounts of \$69	8,285	9,613
Inventories	5,904	5,893
Prepaid income taxes		1,866
Prepaid expenses	1,419	2,259
Deferred tax assets	522	621
Other current assets		40
Total current assets	25,420	49,279
Property and equipment, net	280,007	210,382
Goodwill	88,017	51,063
Intangible asset, net	4,969	
Other assets	2,594	1,869
Total assets	\$ 401,007	\$ 312,593
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 588	\$ 498
Current maturities of obligations under capital leases	51	140
Accounts payable	13,812	17,415
Deferred revenue gift certificates	9,446	19,355
Accrued wages	12,119	9,220
Accrued taxes and licenses	6,521	3,646
Income tax payable	2,454	
Other accrued liabilities	5,508	5,695
Total current liabilities	50,499	55,969
Long-term debt, excluding current maturities	19,935	6,255
Obligations under capital leases, excluding current maturities	588	626
Stock option deposits	3,969	3,404
Deferred rent	5,413	4,502
Deferred tax liabilities	7,404	6,679
Other liabilities	2,817	2,932
Total liabilities	90,625	80,367
Minority interest in consolidated subsidiaries	1,282	651
Stockholders equity		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)		
Common stock, Class A, (\$0.001 par value, 100,000,000 shares authorized, 68,825,789 and 65,267,655 shares issued and outstanding at September 26, 2006 and December 27, 2005, respectively)	69	65
Common stock, Class B, (\$0.001 par value, 8,000,000 shares authorized, 5,265,376 shares issued and outstanding)	5	5
Additional paid in capital	253,119	201,764
Retained earnings	55,901	29,738
Accumulated other comprehensive income	6	3
Total stockholders equity	309,100	231,575

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Total liabilities and stockholders' equity	\$	401,007	\$	312,593
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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 Income**  
(in thousands, except per share data)

	13 Weeks Ended September 26, 2006	September 27, 2005	39 Weeks Ended September 26, 2006	September 27, 2005
<b>Revenue:</b>				
Restaurant sales	\$ 145,859	\$ 111,642	\$ 436,804	\$ 333,357
Franchise royalties and fees	2,595	2,685	7,769	7,794
<b>Total revenue</b>	<b>148,454</b>	<b>114,327</b>	<b>444,573</b>	<b>341,151</b>
<b>Costs and expenses:</b>				
<b>Restaurant operating costs:</b>				
Cost of sales	51,243	39,335	153,335	117,275
Labor	40,509	30,715	120,675	90,431
Rent	2,588	2,099	7,397	6,225
Other operating	23,481	19,205	70,374	54,697
Pre-opening	2,948	2,306	8,759	5,265
Depreciation and amortization	5,580	3,818	15,641	10,541
General and administrative	7,864	5,725	25,773	19,132
<b>Total costs and expenses</b>	<b>134,213</b>	<b>103,203</b>	<b>401,954</b>	<b>303,566</b>
<b>Income from operations</b>	<b>14,241</b>	<b>11,124</b>	<b>42,619</b>	<b>37,585</b>
Interest expense, net	64	93	533	162
Minority interest	76	181	361	402
Equity (income) from investments in unconsolidated affiliates	(47 )	(65 )	(182 )	(87 )
<b>Income before taxes</b>	<b>\$ 14,148</b>	<b>\$ 10,915</b>	<b>\$ 41,907</b>	<b>\$ 37,108</b>
Provision for income taxes	4,998	3,854	15,744	13,099
<b>Net income</b>	<b>\$ 9,150</b>	<b>\$ 7,061</b>	<b>\$ 26,163</b>	<b>\$ 24,009</b>
<b>Net income per common share:</b>				
Basic	\$ 0.12	\$ 0.10	\$ 0.35	\$ 0.35
Diluted	\$ 0.12	\$ 0.10	\$ 0.34	\$ 0.33
<b>Weighted average shares outstanding:</b>				
Basic	74,052	69,471	73,774	68,166
Diluted	76,323	73,833	76,437	72,538

See accompanying notes to condensed consolidated financial statements.

## Texas Roadhouse, Inc. and Subsidiaries

## Condensed Consolidated Statements of Cash Flows

(in thousands)

	39 Weeks Ended September 26, 2006	September 27, 2005
<b>Cash flows from operating activities:</b>		
Net income	\$ 26,163	\$ 24,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,641	10,541
Deferred income taxes	(1,366 )	(1,348 )
(Gain) loss on disposal of assets, net of impairments	205	164
Minority interest	361	402
Equity (income) from investments in unconsolidated affiliates	(182 )	(87 )
Distributions received from investments in unconsolidated affiliates	248	204
Share-based compensation expense	5,020	
Changes in operating working capital:		
Receivables	1,384	(1,346 )
Inventories	289	(478 )
Prepaid expenses and other current assets	873	1,748
Other assets	166	(255 )
Accounts payable	(3,603 )	(1,111 )
Deferred revenue gift certificates	(12,072 )	(8,537 )
Accrued wages	1,673	(704 )
Income tax benefit from exercise of stock options		7,645
Excess tax benefits from share-based compensation	(3,483 )	
Prepaid income taxes and income taxes payable	7,803	(1,268 )
Accrued taxes and licenses	2,573	249
Other accrued liabilities	(2,163 )	1,264
Deferred rent	761	469
Other liabilities	(934 )	64
Net cash provided by operating activities	39,357	31,625
<b>Cash flows from investing activities:</b>		
Capital expenditures property and equipment		