



Texas Roadhouse, Inc. Announces First Quarter 2018 Results

April 30, 2018

LOUISVILLE, Ky., April 30, 2018 (GLOBE NEWSWIRE) -- Texas Roadhouse, Inc. (Nasdaq:TXRH), today announced financial results for the 13 week period ended March 27, 2018.

(\$000's)	First Quarter 2018	2017	% Change	
Total revenue	\$ 627,705	\$ 567,686	10.6	%
Income from operations	64,871	49,022	32.3	%
Net income	54,541	34,313	59.0	%
Diluted EPS	\$ 0.76	\$ 0.48	57.9	%

Results for the first quarter included the following highlights:

- Comparable restaurant sales increased 4.9% at company restaurants and 3.9% at domestic franchise restaurants;
- Diluted earnings per share increased 57.9% to \$0.76 from \$0.48 in the prior year primarily due to lower general and administrative expenses and the benefit of a lower income tax rate. General and administrative expenses included a pre-tax charge recorded in the prior year period of \$14.9 million (\$9.2 million after-tax), or \$0.13 per diluted share, related to the settlement of a legal matter;
- Restaurant margin dollars increased 6.3% to \$119.4 million from \$112.3 million in the prior year and restaurant margin, as a percentage of restaurant and other sales, decreased 75 basis points to 19.2%;
- Our income tax rate decreased to 13.0% from 26.5% in the prior year period primarily due to the impact of new tax legislation; and
- Seven company restaurants, including one Bubba's 33 restaurant, and two international franchise restaurants were opened.

Kent Taylor, Chief Executive Officer of Texas Roadhouse, Inc., commented, "We are pleased to report another solid quarter highlighted by double-digit revenue growth and comparable restaurant sales growth of 4.9%. This sales growth was largely driven by traffic gains which have continued into the second quarter. While restaurant margins remain challenged by ongoing labor inflation, our operators have remained focused on providing our guests with a legendary experience. On the development front, our new restaurant pipeline is in good shape with 11 company restaurants and two international franchise restaurants, including our first in Mexico, open so far this year."

2018 Outlook

Comparable restaurant sales at company restaurants for the first four weeks of our second quarter of fiscal 2018 increased approximately 8.5% compared to the prior year period.

Management updated the following expectation for 2018:

- Commodity cost inflation of approximately 1.0% compared to previous guidance of relatively flat food costs.

Management reiterated the following expectations for 2018:

- Positive comparable restaurant sales growth;
- Approximately 30 company restaurant openings, including up to seven Bubba's 33 restaurants;
- Mid-single digit growth in labor dollars per store week, excluding the impact of higher guest counts;
- An income tax rate of 15.0% to 16.0%; and
- Total capital expenditures of approximately \$165.0 million to \$175.0 million.

Non-GAAP Measures

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). Within our press release, we make reference to restaurant margin (in dollars and as a percentage of sales). Restaurant margin represents restaurant and other sales less restaurant-level operating costs, including cost of sales, labor, rent and other operating costs. Restaurant margin should not be considered in isolation, or as an alternative, to income from operations. This non-GAAP measure is not indicative of overall company performance and profitability in that this measure does not accrue directly to the benefit of shareholders due to the nature of the costs excluded. Restaurant margin is widely regarded as a useful metric by which to evaluate restaurant-level operating efficiency and performance. In calculating restaurant margin, we exclude certain non-restaurant-level costs that support operations, including pre-opening and general and administrative expenses, but do not have a direct impact on restaurant-level operational efficiency and performance. We also exclude depreciation

and amortization expense, substantially all of which relates to restaurant-level assets, as it represents a non-cash charge for the investment in our restaurants. We also exclude impairment and closure expense as we believe this provides a clearer perspective of ongoing operating performance and a more useful comparison to prior period results. Restaurant margin as presented may not be comparable to other similarly titled measures of other companies in our industry. A reconciliation of income from operations to restaurant margin is included in the accompanying financial tables.

Conference Call

Texas Roadhouse is hosting a conference call today, April 30, 2018 at 5:00 p.m. Eastern Time to discuss these results. The dial-in number is (800) 281-7973 or (323) 794-2093 for international calls. A replay of the call will be available for one week following the conference call. To access the replay, please dial (844) 512-2921 or (412) 317-6671 for international calls, and use 4129643 as the pass code. There will be a simultaneous Web cast conducted at www.texasroadhouse.com.

About the Company

Texas Roadhouse is a casual dining concept that first opened in 1993 and today has grown to over 560 restaurants system-wide in 49 states and eight foreign countries. For more information, please visit the Company's Web site at www.texasroadhouse.com.

Forward-looking Statements

Certain statements in this release that are not historical facts, including, without limitation, those relating to our anticipated financial performance, are forward-looking statements that involve risks and uncertainties. Such statements are based upon the current beliefs and expectations of the management of Texas Roadhouse. Actual results may vary materially from those contained in forward-looking statements based on a number of factors including, without limitation, the actual number of restaurants opening; the sales at these and our other company and franchise restaurants; changes in restaurant development or operating costs, such as food and labor; our ability to acquire franchise restaurants; our ability to integrate the franchise restaurants we acquire or other concepts we develop; our ability to continue to generate the necessary cash flows to fund our new restaurant growth, continue our share repurchase program and pay a quarterly cash dividend; strength of consumer spending; pending or future legal claims; breaches of security; conditions beyond our control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting our customers or food supplies; food safety and food-borne illness concerns; acts of war or terrorism and other factors disclosed from time to time in our filings with the U.S. Securities and Exchange Commission. Investors should take such risks into account when making investment decisions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update any forward-looking 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 27, 2018	March 28, 2017
Revenue:		
Restaurant and other sales	\$ 622,402	\$ 563,320
Franchise royalties and fees	5,303	4,366
Total revenue	627,705	567,686
Costs and expenses:		
Restaurant operating costs (excluding depreciation and amortization shown separately below):		
Cost of sales	202,786	184,193
Labor	196,030	170,347
Rent	11,851	10,869
Other operating	92,378	85,660
Pre-opening	5,044	4,740
Depreciation and amortization	24,484	22,596
Impairment and closure	86	11
General and administrative	30,175	40,248
Total costs and expenses	562,834	518,664
Income from operations	64,871	49,022
Interest expense, net	359	332
Equity income from investments in		

unconsolidated affiliates	(324	)	(320)
Income before taxes	64,836		49,010	
Provision for income taxes	8,457		12,987	
Net income including noncontrolling interests	56,379		36,023	
Less: Net income attributable to noncontrolling interests	1,838		1,710	
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 54,541		\$ 34,313	
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:				
Basic	\$ 0.76		\$ 0.48	
Diluted	\$ 0.76		\$ 0.48	
Weighted average shares outstanding:				
Basic	71,333		70,779	
Diluted	71,805		71,334	
Cash dividends declared per share	\$ 0.25		\$ 0.21	

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 27, 2018	December 26, 2017
Cash and cash equivalents	\$ 197,829	\$ 150,918
Other current assets, net	58,139	106,163
Property and equipment, net	922,891	912,147
Goodwill	121,040	121,040
Intangible assets, net	2,514	2,700
Other assets	40,729	37,655
Total assets	\$ 1,343,142	\$ 1,330,623
Current maturities of long-term debt and obligation under capital lease	9	9
Other current liabilities	299,917	329,989
Long-term debt and obligation under capital lease, excluding current maturities	51,979	51,981
Other liabilities, net	104,372	97,253
Texas Roadhouse, Inc. and subsidiaries stockholders' equity	874,222	839,079
Noncontrolling interests	12,643	12,312
Total liabilities and equity	\$ 1,343,142	\$ 1,330,623

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

13 Weeks Ended
March 27, 2018

March 28, 2017

Cash flows from operating activities:

Net income including noncontrolling interests	\$	56,379		\$	36,023
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization		24,484			22,596
Share-based compensation expense		7,475			6,218
Other noncash adjustments, net		4,661			(3,973)
Change in working capital		13,808			33,473
Net cash provided by operating activities		106,807			94,337

Cash flows from investing activities:

Capital expenditures - property and equipment		(35,307)	)		(36,063))
Acquisition of franchise restaurants, net of cash acquired		-			(16,528))
Net cash used in investing activities		(35,307)	)		(52,591))

Cash flows from financing activities:

Dividends paid		(14,945)	)		(13,418))
Other financing activities, net		(9,644)	)		(3,760))
Net cash used in financing activities		(24,589)	)		(17,178))

Net increase in cash and cash equivalents		46,911			24,568
Cash and cash equivalents - beginning of period		150,918			112,944
Cash and cash equivalents - end of period	\$	197,829		\$	137,512

Texas Roadhouse, Inc. and Subsidiaries**Reconciliation of Income from Operations to Restaurant Margin****(in thousands)****(unaudited)**

	13 Weeks Ended		March 28, 2017		
	March 27, 2018				
Income from operations	\$	64,871	\$	49,022	
Less:					
Franchise royalties and fees		5,303		4,366	
Add:					
Pre-opening		5,044		4,740	
Depreciation and amortization		24,484		22,596	
Impairment and closure		86		11	
General and administrative		30,175		40,248	
Restaurant margin	\$	119,357	\$	112,251	
Restaurant margin (as a percentage of restaurant and other sales)		19.2	%	19.9	%

Texas Roadhouse, Inc. and Subsidiaries**Supplemental Financial and Operating Information****(\$ amounts in thousands, except weekly sales by group)****(unaudited)**

	First Quarter		Change
	2018	2017	vs LY
Restaurant openings			
Company - Texas Roadhouse	6	6	0
Company - Bubba's 33	1	0	1
Company - Other	0	0	0
Franchise - Texas Roadhouse - U.S.	0	1	(1)

Franchise - Texas Roadhouse - International	2		1		1	
Total	9		8		1	
Restaurant acquisitions/dispositions						
Company - Texas Roadhouse	0		4		(4)
Franchise - Texas Roadhouse	0		(4	)	4	
Total	0		0		0	
Restaurants open at the end of the quarter						
Company - Texas Roadhouse	446		423		23	
Company - Bubba's 33	21		16		5	
Company - Other	2		2		0	
Franchise - Texas Roadhouse - U.S.	70		70		0	
Franchise - Texas Roadhouse - International	19		14		5	
Total	558		525		33	
Company restaurants						
Restaurant and other sales	\$ 622,402		\$ 563,320		10.5	%
Store weeks	6,048		5,681		6.5	%
Comparable restaurant sales growth (1)	4.9	%	3.1	%		
Texas Roadhouse restaurants only:						
Comparable restaurant sales growth (1)	4.9	%	3.2	%		
Average unit volume (2)	\$ 1,356		\$ 1,299		4.4	%
Weekly sales by group:						
Comparable restaurants (407 units)	\$ 104,849					
Average unit volume restaurants (21 units) (3)	\$ 93,684					
Restaurants less than 6 months old (18 units)	\$ 106,627					
Restaurant operating costs (as a % of restaurant and other sales)						
Cost of sales	32.6	%	32.7	%	(12	) bps
Labor	31.5	%	30.2	%	126	bps
Rent	1.9	%	1.9	%	(3	) bps
Other operating	14.8	%	15.2	%	(36	) bps
Total	80.8	%	80.1	%	75	bps
Restaurant margin	19.2	%	19.9	%	(75	) bps
Restaurant margin (\$ in thousands)	\$ 119,357		\$ 112,251		6.3	%
Restaurant margin \$/Store week	\$ 19,735		\$ 19,760		(0.1)%
Franchise restaurants						
Franchise royalties and fees	\$ 5,303		\$ 4,366		21.5	%
Store weeks	1,139		1,080		5.5	%
Comparable restaurant sales growth (1)	1.8	%	3.0	%		
U.S. franchise restaurants only:						
Comparable restaurant sales growth (1)	3.9	%	3.8	%		
Average unit volume (2)	\$ 1,398		\$ 1,333		4.9	%
Pre-opening expense	\$ 5,044		\$ 4,740		6.4	%
Depreciation and amortization	\$ 24,484		\$ 22,596		8.4	%
As a % of revenue	3.9	%	4.0	%	(7	) bps
General and administrative expenses	\$ 30,175		\$ 40,248		(25.0)%
As a % of revenue	4.8	%	7.1	%	(227	) bps

(1) Comparable restaurant sales growth reflects the change in year-over-year sales for restaurants open a full 18 months before the beginning of the period measured, excluding sales from restaurants closed during the period.

(2) Average unit volume includes sales from Texas Roadhouse restaurants open for a full six months before the beginning of the period measured, excluding any sales at restaurants closed during the period.

(3) Average unit volume restaurants include restaurants open a full six and up to 18 months before the beginning of the period measured.

Amounts may not foot due to rounding.

Primary Logo

Source: Texas Roadhouse, Inc