

Texas Roadhouse, Inc.
Form 10-Q
August 02, 2013
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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 June 25, 2013

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 70,280,373 on July 24, 2013.

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Table of Contents**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)**

	June 25, 2013	December 25, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 100,117	\$ 81,746
Receivables, net of allowance for doubtful accounts of \$20 at June 25, 2013 and \$22 at December 25, 2012	12,077	16,416
Inventories, net	11,182	10,909
Prepaid income taxes		3,374
Prepaid expenses	6,627	7,191
Deferred tax assets	3,467	2,836
Total current assets	133,470	122,472
Property and equipment, net of accumulated depreciation of \$286,912 at June 25, 2013 and \$269,052 at December 25, 2012	542,211	531,654
Goodwill	113,454	113,435
Intangible assets, net	8,283	9,264
Other assets	15,983	14,429
Total assets	\$ 813,401	\$ 791,254
Liabilities and Stockholders Equity		
Current liabilities:		
Current maturities of long-term debt and obligations under capital leases	\$ 317	\$ 338
Accounts payable	34,990	32,374
Deferred revenue gift cards	28,527	53,041
Accrued wages	27,135	25,030
Income taxes payable	1,054	
Accrued taxes and licenses	13,666	13,253
Dividends payable	8,427	13,135
Other accrued liabilities	19,188	21,491
Total current liabilities	133,304	158,662
Long-term debt and obligations under capital leases, excluding current maturities	51,120	51,264
Stock option and other deposits	4,678	4,718
Deferred rent	21,763	20,168
Deferred tax liabilities	5,715	6,102
Fair value of derivative financial instruments	3,138	4,016
Other liabilities	17,506	15,587
Total liabilities	237,224	260,517

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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, 70,249,695 and 68,977,045 shares issued and outstanding at June 25, 2013 and December 25, 2012, respectively)	70	69
Additional paid in capital	215,394	199,967
Retained earnings	356,839	327,509
Accumulated other comprehensive loss	(1,923)	(2,461)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	570,380	525,084
Noncontrolling interests	5,797	5,653
Total equity	576,177	530,737
Total liabilities and equity	\$ 813,401	\$ 791,254

See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Revenue:				
Restaurant sales	\$ 348,929	\$ 317,546	\$ 705,493	\$ 639,558
Franchise royalties and fees	3,190	2,729	6,302	5,586
Total revenue	352,119	320,275	711,795	645,144
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	120,212	106,860	244,764	216,515
Labor	101,723	93,235	203,384	186,582
Rent	7,152	6,379	14,209	12,631
Other operating	54,989	50,555	110,767	101,784
Pre-opening	4,240	2,780	7,064	6,365
Depreciation and amortization	12,190	11,546	24,402	22,893
Impairment and closure	27	20	84	39
General and administrative	21,789	17,653	39,156	37,686
Total costs and expenses	322,322	289,028	643,830	584,495
Income from operations	29,797	31,247	67,965	60,649
Interest expense, net	567	568	1,162	1,173
Equity income from investments in unconsolidated affiliates	(218)	(121)	(398)	(162)
Income before taxes	29,448	30,800	67,201	59,638
Provision for income taxes	8,583	9,952	19,117	19,037
Net income including noncontrolling interests	\$ 20,865	\$ 20,848	\$ 48,084	\$ 40,601
Less: Net income attributable to noncontrolling interests	902	538	1,950	1,422
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 19,963	\$ 20,310	\$ 46,134	\$ 39,179
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives, net of tax of (\$0.2) million, \$0.1 million, (\$0.3) million and \$0.1 million, respectively	342	(65)	538	(106)
Total comprehensive income	\$ 20,305	\$ 20,245	\$ 46,672	\$ 39,073

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Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:								
Basic	\$	0.29	\$	0.29	\$	0.66	\$	0.56
Diluted	\$	0.28	\$	0.28	\$	0.65	\$	0.55
Weighted-average shares outstanding:								
Basic		70,030		70,129		69,693		69,763
Diluted		71,267		71,587		70,924		71,247
Cash dividends declared per share	\$	0.12	\$	0.09	\$	0.24	\$	0.18

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Texas Roadhouse, Inc. and Subsidiaries****Condensed Consolidated Statement of Stockholders' Equity****(in thousands, except 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 25, 2012	68,977,045	\$ 69	\$ 199,967	\$ 327,509	\$ (2,461)	\$ 525,084	\$ 5,653	\$ 530,737
Net income				46,134		46,134	1,950	48,084
Unrealized gain on derivatives, net of tax of \$0.3 million					538	538		538
Distributions to noncontrolling interests							(1,806)	(1,806)
Minority interest liquidation adjustments			5			5		5
Dividends declared and paid (\$0.12 per share)				(8,377)		(8,377)		(8,377)
Dividends declared (\$0.12 per share)				(8,427)		(8,427)		(8,427)
Shares issued under stock option plan including tax effects	810,690		12,649			12,649		12,649
Settlement of restricted stock units	685,301	1	(1)					
Indirect repurchase of shares for minimum tax withholdings	(223,341)		(4,197)			(4,197)		(4,197)
Share-based compensation			6,971			6,971		6,971
Balance, June 25, 2013	70,249,695	\$ 70	\$ 215,394	\$ 356,839	\$ (1,923)	\$ 570,380	\$ 5,797	\$ 576,177

See accompanying notes to condensed consolidated financial statements.

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

	26 Weeks Ended	
	June 25, 2013	June 26, 2012
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 48,084	\$ 40,601
Depreciation and amortization	24,402	22,893
Deferred income taxes	(1,358)	(4,753)
Loss on disposition of assets	1,953	1,683
Equity income from investments in unconsolidated affiliates	(398)	(162)
Distributions of income received from investments in unconsolidated affiliates	253	225
Provision for doubtful accounts	102	16
Share-based compensation expense	6,971	6,324
Changes in operating working capital:		
Receivables	4,237	1,752
Inventories	(273)	789
Prepaid expenses	564	1,709
Other assets	(1,404)	(1,044)
Accounts payable	2,616	(3,110)
Deferred revenue gift cards	(24,567)	(22,773)
Accrued wages	2,105	1,779
Excess tax benefits from share-based compensation	(2,098)	(2,514)
Prepaid income taxes and income taxes payable	6,526	8,231
Accrued taxes and licenses	413	(11)
Other accrued liabilities	(2,225)	4,884
Deferred rent	1,531	1,558
Other liabilities	1,919	1,461
Net cash provided by operating activities	\$ 69,353	\$ 59,538
Cash flows from investing activities:		
Capital expenditures property and equipment	(35,915)	(42,547)
Proceeds from sale of property and equipment, including insurance proceeds	4	106
Net cash used in investing activities	\$ (35,911)	\$ (42,441)
Cash flows from financing activities:		
Repayments of revolving credit facility		(10,000)
Proceeds from noncontrolling interest contributions and other		512
Distributions to noncontrolling interests	(1,806)	(1,523)
Excess tax benefits from share-based compensation	2,098	2,514
Repayment of stock option and other deposits	(40)	(48)
Indirect repurchase of shares for minimum tax withholdings	(4,197)	(2,167)
Principal payments on long-term debt and capital lease obligations	(165)	(147)
Proceeds from exercise of stock options	10,551	8,349
Dividends paid to stockholders	(21,512)	(11,806)

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Net cash used in financing activities		\$	(15,071)	\$	(14,316)
Net increase in cash and cash equivalents			18,371		2,781
Cash and cash equivalents	beginning of period		81,746		78,777
Cash and cash equivalents	end of period	\$	100,117	\$	81,558