

Texas Roadhouse, Inc.
Form 10-Q
May 08, 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 March 28, 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

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(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):

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 68,580,147 and 5,265,376, respectively, on April 28, 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)

	March 28, 2006	December 27, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,819	\$ 28,987
Receivables, net of allowance for doubtful accounts of \$69	9,464	9,613
Inventories	5,859	5,893
Prepaid income taxes		1,866
Prepaid expenses	2,058	2,259
Deferred tax assets	526	621
Other current assets	40	40
Total current assets	41,766	49,279
Property and equipment, net	239,472	210,382
Goodwill	87,935	51,063
Intangible asset, net	5,147	
Other assets	2,079	1,869
Total assets	\$ 376,399	\$ 312,593
Liabilities and Stockholders Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 546	\$ 498
Current maturities of obligations under capital leases	99	140
Accounts payable	14,746	17,415
Deferred revenue gift certificates	11,770	19,355
Accrued wages	11,928	9,220
Income taxes payable	2,288	
Accrued taxes and licenses	5,142	3,646
Other accrued liabilities	6,891	5,695
Total current liabilities	53,410	55,969
Long-term debt, excluding current maturities	17,241	6,255
Obligations under capital leases, excluding current maturities	614	626
Stock option deposits	3,350	3,404
Deferred rent	4,924	4,502
Deferred tax liabilities	8,065	6,679
Other liabilities	3,280	2,932
Total liabilities	90,884	80,367
Minority interest in consolidated subsidiaries	674	651
Stockholders equity		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares outstanding or issued)		
Common stock, Class A, (\$0.001 par value, 100,000,000 shares authorized, 68,481,677 and 65,267,655 shares issued and outstanding at March 28, 2006 and December 27, 2005, respectively)	68	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	246,845	201,764
Retained earnings	37,920	29,738
Accumulated other comprehensive gain	3	3
Total stockholders equity	284,841	231,575
Total liabilities and stockholders equity	\$ 376,399	\$ 312,593

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See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended March 28, 2006	March 29, 2005
Revenue:		
Restaurant sales	\$ 146,874	\$ 108,607
Franchise royalties and fees	2,525	2,460
Total revenue	149,399	111,067
Costs and expenses:		
Restaurant operating costs:		
Cost of sales	51,632	38,034
Labor	39,857	29,243
Rent	2,376	2,037
Other operating	23,594	17,383
Pre-opening	2,582	1,364
Depreciation and amortization	4,906	3,248
General and administrative	10,355	5,981
Total costs and expenses	135,302	97,290
Income from operations	14,097	13,777
Interest expense (income), net	344	(43)
Minority interest	207	27
Equity income from investments in unconsolidated affiliates	88	52
Income before taxes	\$ 13,634	\$ 13,845
Provision for income taxes	5,452	4,887
Net income	\$ 8,182	\$ 8,958
Net income per common share:		
Basic	\$ 0.11	\$ 0.13
Diluted	\$ 0.11	\$ 0.12
Weighted average shares outstanding:		
Basic	73,363	67,348
Diluted	76,460	72,700

See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended	
	March 28, 2006	March 29, 2005
Cash flows from operating activities:		
Net income	\$ 8,182	\$ 8,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,906	3,248
Deferred income taxes	(709)	
Loss on disposal of assets	127	
Minority interest	207	27
Equity income from investments in unconsolidated affiliates	(88)	(52)
Distributions received from investments in unconsolidated affiliates	51	59
Provision for doubtful accounts		(73)
Share-based compensation expense	1,841	
Changes in operating working capital:		
Receivables	195	(1,000)
Inventories	302	(563)
Prepaid expenses and other current assets	225	679
Other assets	(168)	23
Accounts payable	(2,669)	(2,364)
Deferred revenue gift certificates	(9,344)	(6,565)
Accrued wages	1,555	(2,927)
Excess tax benefits from share-based compensation	(1,528)	
Prepaid income taxes and income taxes payable	5,682	4,520
Accrued taxes and licenses	1,295	634
Other accrued liabilities	(607)	444
Deferred rent	272	178
Other liabilities	348	311
Net cash provided by operating activities	10,075	5,537
Cash flows from investing activities:		
Capital expenditures property and equipment	(14,722)	(10,843)
Proceeds from sale of property and equipment	786	
Acquisitions of franchise restaurants, net of cash acquired	(13,608)	
Net cash used in investing activities	(27,544)	(10,843)
Cash flows from financing activities:		
Proceeds from revolving credit facility, net	12,000	
Proceeds from minority interest contributions and other		70
Excess tax benefits from share-based compensation	1,528	
Repayment of stock option deposits	(120)	(25)
Proceeds from stock option deposits	270	343
Principal payments on long-term debt	(3,257)	(155)
Principal payments on capital lease obligations	(53)	(36)
Proceeds from exercise of stock options	2,117	941
Payment of initial public offering expenses		(41)
Distributions to minority interest holders	(184)	(55)
Net cash provided by financing activities	12,301	1,042
Net decrease in cash	(5,168)	(4,264)
Cash and cash equivalents beginning of period	28,987	46,235
Cash and cash equivalents end of period	\$ 23,819	\$ 41,971

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Supplemental disclosures of cash flow information:

Interest, net of amounts capitalized	\$ 457	\$ 212
Income taxes	\$ 480	\$ 363
Supplemental schedule for noncash investing and financing activities:		
Stock acquisition of franchise restaurants	\$ 39,394	
Assumption of debt acquisitions	\$ 2,291	

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)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Texas Roadhouse, Inc. (the Company), its wholly-owned subsidiaries, Texas Roadhouse Holdings LLC (Holdings), Texas Roadhouse Development Corporation (TRDC), and Texas Roadhouse Management Corp. (Management Corp.), for the 13 weeks ended March 28, 2006 and March 29, 2005. The Company and its wholly-owned subsidiaries operate Texas Roadhouse restaurants. Holdings also provides supervisory and administrative services for certain other franchise and license restaurants. TRDC sells franchis