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 $x \, \text{No} \, \text{o}$.

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):

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

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)

Assets Carban dash equivalents \$ 23,819 \$ 28,987 Receivables, net of allowance for doubtful accounts of 569 9,464 9,913 Inventories 5,859 5,893 Prepaid income taxes 1,866 2,279 Prepaid income taxes 2,058 2,279 Deferred tax assets 40 40 Other current assets 41,766 49,279 Total current assets 41,766 49,279 Froperty and equipment, net 29,912 1,869 Goodwill 87,935 51,003 Intangible asset, net 5,147 1 Other assets 2,079 1,869 Total assets 9,76,399 \$ 312,593 Labilities and Stockholders Equity Current maturities of loing-term debt \$ 498 Current maturities of loing-term debt \$ 1,746 1,741 Current maturities of obligations under capital leases 99 40 49 Current maturities of obligations under capital leases 11,770 19,355 <th></th> <th>March 28, 2006</th> <th>December 27, 2005</th>		March 28, 2006	December 27, 2005
Cash and cash equivalents \$ 2,3819 \$ 2,987 Receivables, net of allowance for doubtful accounts of \$699 4,944 9,613 Inventories 5,859 5,893 Prepaid income taxes 2,058 2,299 Deferred tax assets 20 621 Defered tax assets 40 40 Total current assets 41,766 49,279 Property and equipment, net 239,472 210,382 Goodwill 5,147 1 Intangible asset, net 5,147 1 Other assets 2,079 1,869 Total assets 8,76,399 \$ 312,593 *** Total assets	Assets		
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Prepaid expenses 2,05% 2,25% Deferred tax 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 2,079 1,869 Other assets 2,079 1,869 Total assets 5,376,399 \$ 312,593 Liabilities and Stockholders Equity Current maturities of long-term debt \$ 546 \$ 498 Current maturities of obligations under capital leases 99 140 Accounts payable 11,770 19,355 Current revenue gift certificates 11,770 19,355 Current revenue gift certificates 11,770 19,355 Current revenue gift certificates 5,442 3,646 Current revenue gift certificates 6,891 5,695 Current revenue gift certificates 11,770 19,355 Current revenue gift certificates 3,410 5,695 <td>Inventories</td> <td>5,859</td> <td>5,893</td>	Inventories	5,859	5,893
Deferend tax assets 40 40 Other current assets 41,766 49,279 Property and equipment, net 239,472 210,382 Goodwill 87,935 51,063 Intangible asset, net 5,147 100 Other assets 2,079 1,869 Total assets \$ 376,399 \$ 312,593 Liabilities: Current maturities of long-term debt \$ \$46 \$ 498 Current maturities of long-term debt \$ \$46 \$ 498 Current maturities of long-term debt \$ \$46 \$ 498 Current maturities of long-term debt \$ \$498 \$ 498 Current maturities of long-term debt \$ \$498 \$ \$498 Current maturities of long-term debt \$ \$498 \$ \$498 Current maturities of long-term debt \$ \$498 \$ \$498 Current maturities of long-term debt \$ \$498 \$ \$498 Current maturities of long-term debt (activation age term debt (activation age t	Prepaid income taxes		1,866
Other current assets 40 40 40 70 40 70 </td <td>Prepaid expenses</td> <td>2,058</td> <td>2,259</td>	Prepaid expenses	2,058	2,259
Total current assets	Deferred tax assets	526	621
Property and equipment, net 239,47≥ 210,38≥ Good will 87,935	Other current assets	40	40
State Stat	Total current assets	41,766	49,279
Intangible asset, net 2,07° 1,86° 1701 1801 1	Property and equipment, net	239,472	210,382
Data passets 1,147 1,869 1,000 1,00	Goodwill	87,935	51,063
Other assets 2,079 1,869 Total assets 376,399 \$ 312,593 Liabilities and Stockholders Equity Current liabilities:	Intangible asset, net		
Current liabilities and Stockholders Equity		2,079	1,869
Current liabilities: 5 46 498 Current maturities of long-term debt \$ 546 \$ 498 Current maturities of long-term debt \$ 99 140 Accounts payable 11,746 17,415 Deferred revenue gift certificates 11,720 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 6,891 5,5969 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 tax liabilities 8,065 6,679 Other liabilities 90,884 80,367 Minority interest in consolidated subsidiaries 90,884 80,367 Minority interest in consolidated subsidiaries 674 651 Stockholders equity Freferred stock (\$0.001 par value, 1,000,000 shares authorized, 68,481,677 <t< td=""><td>Total assets</td><td></td><td></td></t<>	Total assets		
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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 674 651 Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares outstanding or issued) 68 65 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, 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	Other accrued liabilities	6,891	5,695
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 Freferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares outstanding or issued) 5 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 current liabilities	53,410	55,969
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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		4,924	4,502
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Minority interest in consolidated subsidiaries 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 5 Additional paid in capital 246,845 201,764 Retained earnings 37,920 29,738 Accumulated other comprehensive gain 3 Total stockholders equity 284,841 231,575	Other liabilities	3,280	2,932
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 4dditional paid in capital 246,845 201,764 Retained earnings 37,920 29,738 Accumulated other comprehensive gain 3 Total stockholders equity 284,841 231,575	Total liabilities	90,884	80,367
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 Common stock, Class B, (\$0.001 par value, 8,000,000 shares authorized, 5,265,376 shares issued and outstanding) 5 Additional paid in capital 246,845 201,764 Retained earnings 37,920 29,738 Accumulated other comprehensive gain Total stockholders equity 284,841 231,575	Minority interest in consolidated subsidiaries	674	651
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 Common stock, Class B, (\$0.001 par value, 8,000,000 shares authorized, 5,265,376 shares issued and outstanding) 5 Additional paid in capital 246,845 201,764 Retained earnings 37,920 29,738 Accumulated other comprehensive gain Total stockholders equity 284,841 231,575			
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shares issued and outstanding)55Additional paid in capital246,845201,764Retained earnings37,92029,738Accumulated other comprehensive gain33Total stockholders equity284,841231,575	2005, respectively)	68	65
Additional paid in capital246,845201,764Retained earnings37,92029,738Accumulated other comprehensive gain33Total stockholders equity284,841231,575	Common stock, Class B, (\$0.001 par value, 8,000,000 shares authorized, 5,265,376		
Retained earnings37,92029,738Accumulated other comprehensive gain33Total stockholders equity284,841231,575		5	5
Retained earnings37,92029,738Accumulated other comprehensive gain33Total stockholders equity284,841231,575	Additional paid in capital	246,845	201,764
Accumulated other comprehensive gain 3 3 Total stockholders equity 284,841 231,575			
		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	2,52	5	2,46	0
Total revenue	149,	399	111,	067
Costs and expenses:				
Restaurant operating costs:				
Cost of sales	51,63		38,034	
Labor	39,8		29,243	
Rent	2,370		2,037	
Other operating	23,59		17,383	
Pre-opening Pre-opening	2,582		1,364	
Depreciation and amortization	4,906		3,248	
General and administrative	10,355		5,98	1
Total costs and expenses	135,	302	97,2	90
Income from operations	14,09	97	13,7	77
Interest expense (income), net	344		(43)
Minority interest	207			
Equity income from investments in unconsolidated affiliates	88		52	
• •				
Income before taxes	\$	13,634	\$	13,845
Provision for income taxes	5,45		4,88	
Net income	\$	8,182	\$	8,958
		,		ĺ
Net income per common share:				
Basic	\$	0.11	\$	0.13
			·	
Diluted	\$	0.11	\$	0.12
	Ψ		¥	2
Weighted average shares outstanding:				
Basic	73,30	63	67,3	48
	, 5,5		07,3	.0
Diluted	76.40	60	72,7	00
Dilucci	70,40	00	12,1	00

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)

Cash flows from operating activities:	13 Weeks Ended March 28, 2006	March 29, 2005		
Net income	\$ 8,182		\$ 8,958	
Adjustments to reconcile net income to net cash provided by operating activities:	, ,,,,,		7 0,200	
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:	-,0			
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)	(2,727	,
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	
Other habilities	340		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	
Squitteen of period	20,019		7 11,271	

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Supplemental disclosures of cash flow information:

Supplemental discressives of easilities 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