



Rating  
**Buy**

North America  
United States

Consumer  
Restaurants

Company  
**Texas Roadhouse**

Reuters  
TXRH.OO

Bloomberg  
TXRH US

Exchange  
NSM

Ticker  
TXRH

Date  
23 October 2023

## Results

Price at 20 Oct 2023 (USD)	96.19
Price Target	111.00
52-week range	117.27 - 90.95

## Into the 3Q23 Print

### TXRH 3Q23 Earnings Preview

#### TXRH reports 3Q23 earnings 10/26 AMC.

Last week we initiated on [TXRH with a Buy rating](#). Based on our conversations with investors, sentiment on TXRH was among the most negative across our coverage into 3Q, reflecting expectations for largely in-line SSS (mid-7%), an EPS miss and concerns on the initial guide for beef costs in 2024 (initial guide generally provided on 3Q call). We believe expectations for commodity inflation in 2024 are likely in the LSD-MSD range (with MSD-HSD beef cost inflation). Sell-side estimates for COGS to improve ~10bps in 2024 and price of 3.1% imply commodity inflation of ~2.9%. Long-term, investors were more receptive to our call, with TXRH one of the few restaurant companies generating positive traffic, a path for meaningful upside to numbers once the beef cycle eventually turns and relatively inexpensive valuation.

In 2024, we model SSS of 4.5% (price 3.5% and traffic 1%), ahead of consensus' 4% (price 3.1% and traffic 0.9%). We model that the restaurant margin expands 30bps to 15.8%, primarily driven by leverage in COGS and other opex, in line with consensus. We model EPS of \$5.48 in 2024 (+18%), relative to consensus' \$5.41, with buy-side likely lower (particularly on restaurant margin).

- **SSS:** In 3Q, we model SSS of 7.8% (traffic 3.5%, price 5.1%, mix -0.8%), noting SSS in the first four weeks of 3Q were 10.7%, or 9.3% excluding a ~1.4% benefit from an outsized July 4th. Our 3Q estimate implies 4-yr SSS of 42.7%. In 4Q we model SSS of 7.6% (traffic 3.5%, price 4.6%, mix -0.5%), implying 4-yr SSS of 40%. Compares ease in 4Q as TXRH saw trends slow in the last 7-10 days of the December period (which is generally outsized) given cold weather and headwinds from the holiday shift as Christmas fell on a Sunday last year, though will be on a Monday this year. Compares are toughest in October and easiest in December. TXRH raised menu prices in mid-October, which we estimate at 2.2%, noting TXRH suggested the increase would be in the 2-3% range. Our price analysis suggests prices closer to ~3%, though there is significant variability across menu items and markets, and thus we are not embedding that level of price. Consensus models SSS below our estimates at 7.4% in 3Q and 6.6% in 4Q.
- **Units:** In 2023, we model 29 organic units as well as 8 units acquired from franchisees in 1Q23. TXRH has guided to up to 28 Texas Roadhouse and Bubba's 33 restaurants, as well as 3 Jaggers locations.

### Valuation & Risks

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- **Restaurant Margin:** In 3Q, TXRH restaurant margin guidance implies another quarter of contraction, primarily driven by labor (wage inflation 5-6%, still elevated labor hour growth as TXRH laps prior year staffing headwinds), and opex (lapping \$4MM benefit in 3Q22 related to an adjustment for general liability insurance; 3Q22 also benefitted from a \$6MM breakage adjustment – at 100% flow-through, added ~60bps to margin and unlikely to be as high this year). 3Q reported margin will be below 3Q22's 15.4%, though underlying margins should improve (excluding the adjustment). We model 3Q margin of 15%, down ~40bps YOY, and below consensus' 15.2%, driven by consensus' expectation for better opex, which we think could be mis-modeled. In 4Q, TXRH should see restaurant margin expand for the first time in what will be seven quarters, reflecting leverage across all line items. We model restaurant margin of 15.5%, up ~95bps YOY, ahead of consensus' 15.2%, primarily driven by better labor and other opex (we model SSS higher).
- **EPS:** In 3Q, we model EPS of \$1.02, below consensus of \$1.06, primarily due to lower restaurant margin. In 4Q, we model EPS of \$1.11, ahead of consensus' \$1.07 given higher SSS and restaurant margin estimates.

Figure 1: TXRH Earnings Preview: DB vs Consensus

3Q23E DB vs Consensus						
	DBe	Consensus	Delta	3Q22A	YOY	Guidance
Price	5.1%	5.1%	0bps	7.2%		5.1% price
Mix	-0.8%	-0.8%	-2bps	0.5%		
Traffic	3.5%	3.0%	49bps	0.5%		
<b>SSS</b>	<b>7.8%</b>	<b>7.4%</b>	<b>37bps</b>	<b>8.2%</b>		<b>10.7% QTD (first 4 weeks)</b>
Sales	\$1,123	\$1,123	0.1%	\$993	13.1%	
COGS	34.6%	34.7%	-8bps	34.7%	-5bps	
Labor	33.7%	33.8%	-8bps	33.5%	25bps	
Rent	1.6%	1.6%	0bps	1.7%	-6bps	
Other Opex	15.0%	14.7%	35bps	14.8%	24bps	
<b>Restaurant Margin</b>	<b>15.0%</b>	<b>15.2%</b>	<b>-18bps</b>	<b>15.4%</b>	<b>-38bps</b>	
G&A	\$48	\$48	0.1%	\$43	12.8%	
D&A	\$38	\$37	2.0%	\$34	12.4%	
Operating Income	\$82	\$84	-2.2%	\$75	8.6%	
Operating Margin	7.3%	7.5%	-17bps	7.6%	-30bps	
<b>EPS</b>	<b>\$1.02</b>	<b>\$1.06</b>	<b>-3.6%</b>	<b>\$0.93</b>	<b>10.0%</b>	

4Q23E DB vs Consensus						
	DBe	Consensus	Delta	4Q22A	YOY	Guidance
Price	4.6%	4.5%	13bps	6.3%		
Mix	-0.5%	-0.5%	0bps	-0.1%		
Traffic	3.5%	2.6%	95bps	1.1%		
<b>SSS</b>	<b>7.6%</b>	<b>6.6%</b>	<b>102bps</b>	<b>7.3%</b>		
Sales	\$1,146	\$1,138	0.8%	\$1,010	13.6%	
COGS	34.8%	34.8%	3bps	35.1%	-25bps	
Labor	33.2%	33.4%	-26bps	33.4%	-20bps	
Rent	1.6%	1.6%	-4bps	1.7%	-9bps	
Other Opex	14.9%	15.0%	-4bps	15.3%	-40bps	
<b>Restaurant Margin</b>	<b>15.5%</b>	<b>15.2%</b>	<b>30bps</b>	<b>14.5%</b>	<b>94bps</b>	
G&A	\$49	\$48	1.7%	\$40	22.1%	
D&A	\$38	\$38	0.3%	\$35	8.1%	
Operating Income	\$89	\$84	5.6%	\$69	29.2%	
Operating Margin	7.8%	7.4%	35bps	6.8%	94bps	
<b>EPS</b>	<b>\$1.11</b>	<b>\$1.07</b>	<b>4.4%</b>	<b>\$0.89</b>	<b>25.2%</b>	

Source : Company data, Consensus Metrix, Deutsche Bank estimates

### Figure 2: Income Statement

Source : Company data, Deutsche Bank estimates



Figure 3: Balance Sheet

Texas Roadhouse (TXRH) (\$ in millions)	Fiscal Yr 2021	2022				Fiscal Yr 2022	2023				Fiscal Yr 2023E	2024				Fiscal Yr 2024E	Fiscal Yr 2025E
		1Q22	2Q22	3Q22	4Q22E		1Q23	2Q23	3Q23E	4Q23E		1Q24E	2Q24E	3Q24E	4Q24E		
		Mar-22	Jun-22	Sep-22	Dec-22		Mar-23	Jun-23	Sep-23	Dec-23		2023E	Mar-24	Jun-24	Sep-24	Dec-24	
<b>Balance Sheet</b>	<b>2021</b>					<b>2022</b>					<b>2023E</b>					<b>2024E</b>	<b>2025E</b>
Cash and cash equivalents	\$335.6	\$325.7	\$180.4	\$185.3	\$173.9	\$173.9	\$156.1	\$107.3	\$90.1	\$122.2	\$122.2	\$78.1	\$125.2	\$98.4	\$124.1	\$124.1	\$128.1
Receivable, net	\$161.4	\$45.2	\$45.5	\$37.8	\$150.3	\$150.3	\$41.5	\$60.5	\$47.8	\$108.1	\$108.1	\$108.0	\$56.8	\$52.7	\$119.9	\$119.9	\$128.1
Inventories	\$31.6	\$30.0	\$31.8	\$32.9	\$38.0	\$38.0	\$36.8	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1	\$38.1
Prepaid income taxes	\$10.7	\$2.7	\$4.5	\$1.1	\$5.1	\$5.1	\$0.0	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Prepaid expenses	\$24.2	\$22.4	\$18.8	\$20.2	\$29.6	\$29.6	\$34.2	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9	\$25.9
Deferred tax assets, net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other current assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Current Assets</b>	<b>\$563.5</b>	<b>\$426.0</b>	<b>\$280.9</b>	<b>\$277.4</b>	<b>\$396.8</b>	<b>\$396.8</b>	<b>\$268.7</b>	<b>\$233.3</b>	<b>\$203.4</b>	<b>\$295.7</b>	<b>\$295.7</b>	<b>\$251.5</b>	<b>\$247.4</b>	<b>\$216.6</b>	<b>\$309.5</b>	<b>\$309.5</b>	<b>\$321.6</b>
Property and equipment, net	\$1,162.4	\$1,181.7	\$1,208.0	\$1,237.3	\$1,270.3	\$1,270.3	\$1,310.8	\$1,360.1	\$1,392.2	\$1,428.9	\$1,428.9	\$1,459.7	\$1,489.5	\$1,523.8	\$1,565.1	\$1,565.1	\$1,702.9
Operating lease right-of-use asset, net	\$578.4	\$605.1	\$611.9	\$626.6	\$630.3	\$630.3	\$643.5	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7	\$662.7
Goodwill	\$127.0	\$144.3	\$148.7	\$148.7	\$148.7	\$148.7	\$169.6	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7	\$169.7
Intangible assets	\$1.5	\$6.8	\$7.0	\$6.3	\$5.6	\$5.6	\$5.9	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Other assets	\$79.1	\$73.3	\$65.1	\$68.7	\$73.9	\$73.9	\$76.4	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2	\$84.2
<b>Total Assets</b>	<b>\$2,512.0</b>	<b>\$2,437.3</b>	<b>\$2,321.7</b>	<b>\$2,365.1</b>	<b>\$2,525.7</b>	<b>\$2,525.7</b>	<b>\$2,474.9</b>	<b>\$2,515.0</b>	<b>\$2,517.1</b>	<b>\$2,646.2</b>	<b>\$2,646.2</b>	<b>\$2,632.8</b>	<b>\$2,658.5</b>	<b>\$2,661.9</b>	<b>\$2,796.2</b>	<b>\$2,796.2</b>	<b>\$2,946.1</b>
Current maturities of long-term debt and capital leases	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Current portion of operating lease liabilities	\$22.0	\$23.8	\$24.5	\$25.0	\$25.5	\$25.5	\$26.5	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0
Accounts payable	\$95.2	\$100.1	\$101.6	\$98.7	\$105.6	\$105.6	\$113.8	\$120.7	\$116.0	\$118.2	\$118.2	\$123.3	\$129.7	\$127.3	\$130.5	\$130.5	\$138.6
Deferred revenue gift cards	\$300.7	\$221.5	\$208.4	\$182.3	\$335.4	\$335.4	\$240.7	\$226.1	\$211.1	\$311.1	\$311.1	\$251.1	\$236.1	\$221.1	\$321.1	\$321.1	\$331.1
Accrued wages and payroll taxes	\$64.7	\$79.8	\$81.1	\$85.8	\$54.5	\$54.5	\$66.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2	\$67.2
Income taxes payable	\$0.1	\$3.5	\$0.5	\$1.4	\$0.4	\$0.4	\$5.7	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Accrued taxes and licences	\$33.4	\$33.7	\$34.7	\$37.4	\$35.3	\$35.3	\$38.4	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7	\$40.7
Dividends payable	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other accrued liabilities	\$86.1	\$79.3	\$77.7	\$85.1	\$95.3	\$95.3	\$96.8	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4	\$88.4
<b>Total Current Liabilities</b>	<b>\$602.1</b>	<b>\$541.8</b>	<b>\$528.5</b>	<b>\$515.7</b>	<b>\$652.0</b>	<b>\$652.0</b>	<b>\$588.1</b>	<b>\$572.0</b>	<b>\$552.3</b>	<b>\$654.5</b>	<b>\$654.5</b>	<b>\$599.6</b>	<b>\$591.1</b>	<b>\$573.6</b>	<b>\$676.8</b>	<b>\$676.8</b>	<b>\$694.9</b>
Long-term debt and capital leases, excl. current maturities	\$100.0	\$100.0	\$75.0	\$75.0	\$50.0	\$50.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Operating lease liabilities, net of current portion	\$622.9	\$649.1	\$657.5	\$672.8	\$677.9	\$677.9	\$692.0	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8	\$712.8
Stock options and other deposits	\$8.0	\$8.2	\$8.2	\$8.1	\$8.0	\$8.0	\$8.5	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6	\$8.6
Deferred rent	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deferred tax liabilities	\$11.7	\$14.2	\$15.4	\$16.8	\$21.0	\$21.0	\$23.7	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5	\$22.5
Other liabilities	\$93.7	\$88.9	\$83.1	\$84.1	\$89.2	\$89.2	\$92.1	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9	\$100.9
<b>Total Liabilities</b>	<b>\$1,438.5</b>	<b>\$1,402.1</b>	<b>\$1,367.7</b>	<b>\$1,372.4</b>	<b>\$1,498.0</b>	<b>\$1,498.0</b>	<b>\$1,404.3</b>	<b>\$1,416.7</b>	<b>\$1,397.1</b>	<b>\$1,499.3</b>	<b>\$1,499.3</b>	<b>\$1,444.4</b>	<b>\$1,435.8</b>	<b>\$1,418.3</b>	<b>\$1,521.6</b>	<b>\$1,521.6</b>	<b>\$1,539.8</b>
Common Stock	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Additional paid-in capital	\$114.5	\$32.8	\$0.0	\$7.1	\$13.1	\$13.1	\$6.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Retained earnings/accumulated deficit	\$943.6	\$987.0	\$938.8	\$970.4	\$999.4	\$999.4	\$1,048.9	\$1,082.9	\$1,124.7	\$1,171.6	\$1,171.6	\$1,238.1	\$1,297.3	\$1,343.2	\$1,399.3	\$1,399.3	\$1,641.1
Treasury stock, at cost	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$20.0)	(\$40.0)	(\$40.0)	(\$65.0)	(\$90.0)	(\$115.0)	(\$140.0)	(\$140.0)	(\$250.0)
Accumulated other comprehensive income (loss)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Noncontrolling interests	\$16.4	\$15.5	\$15.1	\$15.1	\$15.0	\$15.0	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3	\$15.3
<b>Shareholders' Equity</b>	<b>\$1,073.5</b>	<b>\$1,035.3</b>	<b>\$954.0</b>	<b>\$992.6</b>	<b>\$1,027.7</b>	<b>\$1,027.7</b>	<b>\$1,070.5</b>	<b>\$1,098.3</b>	<b>\$1,120.0</b>	<b>\$1,146.9</b>	<b>\$1,146.9</b>	<b>\$1,188.4</b>	<b>\$1,222.6</b>	<b>\$1,243.6</b>	<b>\$1,274.6</b>	<b>\$1,274.6</b>	<b>\$1,406.3</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$2,512.0</b>	<b>\$2,437.3</b>	<b>\$2,321.7</b>	<b>\$2,365.1</b>	<b>\$2,525.7</b>	<b>\$2,525.7</b>	<b>\$2,474.9</b>	<b>\$2,515.0</b>	<b>\$2,517.1</b>	<b>\$2,646.2</b>	<b>\$2,646.2</b>	<b>\$2,632.8</b>	<b>\$2,658.5</b>	<b>\$2,661.9</b>	<b>\$2,796.2</b>	<b>\$2,796.2</b>	<b>\$2,946.1</b>
check	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance Sheet Analysis</b>	<b>2021</b>	<b>1Q22</b>	<b>2Q22</b>	<b>3Q22</b>	<b>4Q22</b>	<b>2022</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23E</b>	<b>4Q23E</b>	<b>2023E</b>	<b>1Q24E</b>	<b>2Q24E</b>	<b>3Q24E</b>	<b>4Q24E</b>	<b>2024E</b>	<b>2025E</b>
<b>Debt Analysis</b>																	
Long-term debt and capital lease, excl. current maturities	\$100.0	\$100.0	\$75.0	\$75.0	\$50.0	\$50.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Current maturities of long-term debt and capital leases	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Debt</b>	<b>\$100.0</b>	<b>\$100.0</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$50.0</b>	<b>\$50.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
Cash and cash equivalents	\$335.6	\$325.7	\$180.4	\$185.3	\$173.9	\$173.9	\$156.1	\$107.3	\$90.1	\$122.2	\$122.2	\$78.1	\$125.2	\$98.4	\$124.1	\$124.1	\$128.1
<b>Net Debt</b>	<b>(\$235.6)</b>	<b>(\$225.7)</b>	<b>(\$105.4)</b>	<b>(\$110.3)</b>	<b>(\$123.9)</b>	<b>(\$123.9)</b>	<b>(\$156.1)</b>	<b>(\$107.3)</b>	<b>(\$90.1)</b>	<b>(\$122.2)</b>	<b>(\$122.2)</b>	<b>(\$78.1)</b>	<b>(\$125.2)</b>	<b>(\$98.4)</b>	<b>(\$124.1)</b>	<b>(\$124.1)</b>	<b>(\$128.1)</b>
Average Debt	\$170.0	\$100.0	\$87.5	\$75.0	\$62.5	\$75.0	\$25.0	\$0.0	\$0.0	\$0.0	\$25.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Average Net Debt	(\$179.4)	(\$230.7)	(\$165.6)	(\$107.9)	(\$117.1)	(\$179.8)	(\$140.0)	(\$131.7)	(\$98.7)	(\$106.2)	(\$123.0)	(\$100.1)	(\$101.6)	(\$111.8)	(\$111.3)	(\$123.2)	(\$126.1)
TTM EBITDA	\$424.0	\$435.9	\$434.9	\$450.6	\$457.4	\$457.4	\$470.8	\$483.3	\$494.0	\$517.0	\$517.0	\$539.7	\$558.5	\$573.7	\$597.3	\$597.3	\$658.5
NTM EBITDA	\$457.4	\$470.8	\$463.3	\$494.0	\$517.0	\$517.0	\$539.7	\$558.5	\$573.7	\$597.3	\$597.3	\$615.9	\$633.6	\$650.3	\$668.5	\$668.5	\$728.6
Total Debt/TTM EBITDA	0.2x	0.2x	0.2x	0.2x	0.1x	0.1x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
Net Debt/TTM EBITDA	-0.6x	-0.6x	-0.2x	-0.2x	-0.3x	-0.3x	-0.3x	-0.2x	-0.2x	-0.2x	-0.2x	-0.1x	-0.2x	-0.2x	-0.2x	-0.2x	-0.2x

Source : Company data, Deutsche Bank estimates



Figure 4: Cash Flow Statement

Texas Roadhouse (TXRH) (\$ in millions)	Fiscal Yr 2021	2022				Fiscal Yr 2022	2023				Fiscal Yr 2023E	2024				Fiscal Yr 2024E	Fiscal Yr 2025E
	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Cash Flow Statement																	
Operating Cash Flows																	
Net income, incl. noncontrolling interests	\$253.3	\$77.3	\$74.5	\$64.0	\$61.8	\$277.6	\$88.6	\$84.4	\$68.5	\$74.7	\$316.2	\$101.9	\$94.1	\$79.2	\$90.4	\$365.5	\$411.0
Depreciation and amortization	\$126.8	\$33.6	\$34.4	\$33.7	\$35.5	\$137.2	\$36.2	\$37.4	\$37.9	\$38.3	\$149.9	\$39.2	\$40.2	\$40.8	\$43.7	\$163.8	\$172.2
Deferred income taxes, net	\$8.9	\$2.6	\$1.3	\$1.3	\$4.2	\$9.5	\$3.0	(\$1.2)	\$0.0	\$0.0	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Loss on impairment and disposition of assets	\$3.2	\$1.2	\$0.8	\$1.6	\$1.6	\$5.2	\$1.2	\$2.3	\$0.0	\$0.0	\$3.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Impairment and closure costs	\$0.7	\$0.0	\$0.4	\$1.0	\$1.8	\$1.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity in income from investments in unconsolidated affiliates	\$0.6	(\$0.3)	(\$0.5)	(\$0.2)	(\$0.2)	(\$1.2)	(\$0.8)	(\$0.3)	\$0.0	\$0.0	(\$1.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Distributions of income received from investments in unconsolidated affiliates	\$1.1	\$0.3	\$0.3	\$0.2	\$0.2	\$1.0	\$0.2	\$0.2	\$0.0	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Provision for doubtful accounts	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Share-based compensation	\$38.1	\$9.1	\$9.5	\$9.6	\$8.5	\$36.7	\$8.2	\$8.6	\$10.1	\$8.9	\$35.7	\$8.6	\$9.0	\$10.6	\$9.3	\$37.5	\$39.4
Minority interest	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Changes in working capital:																	
Receivables	(\$62.4)	\$116.4	(\$0.4)	\$7.6	(\$112.5)	\$11.1	\$109.5	(\$19.0)	\$12.7	(\$60.3)	\$42.9	\$0.1	\$51.2	\$4.1	(\$67.2)	(\$11.9)	(\$8.2)
Inventories	(\$9.2)	\$1.8	(\$1.7)	(\$1.1)	(\$5.1)	(\$6.1)	\$1.6	(\$1.3)	\$0.0	\$0.0	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Prepaid expenses	(\$2.5)	\$0.7	\$3.6	(\$1.5)	(\$9.4)	(\$6.5)	(\$3.2)	\$8.3	\$0.0	\$0.0	\$5.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other assets	(\$13.9)	\$5.8	\$8.1	(\$3.5)	(\$4.5)	\$5.8	(\$2.3)	(\$7.9)	\$0.0	\$0.0	(\$10.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts payable	\$27.7	\$6.3	(\$2.0)	(\$2.4)	\$3.5	\$5.4	\$10.4	\$3.9	(\$4.6)	\$2.2	\$11.9	\$5.1	\$6.5	(\$2.5)	\$3.2	\$12.3	\$8.1
Deferred revenue - gift cards	\$67.8	(\$80.0)	(\$13.2)	(\$26.2)	\$153.1	\$33.8	(\$95.8)	(\$14.6)	(\$15.0)	\$100.0	(\$25.4)	(\$60.0)	(\$15.0)	(\$15.0)	\$100.0	\$10.0	\$10.0
Accrued wages	\$12.7	\$15.1	\$1.3	\$4.7	(\$31.3)	(\$10.2)	\$11.6	\$1.0	\$0.0	\$0.0	\$12.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Excess tax benefits from share-based compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Prepaid income taxes and income taxes payable	(\$9.0)	\$11.4	(\$4.8)	\$4.3	(\$4.9)	\$6.0	\$10.4	(\$5.2)	\$0.0	\$0.0	\$5.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accrued taxes and licenses	\$8.6	\$0.3	\$1.0	\$2.7	(\$2.1)	\$1.9	\$3.1	\$2.2	\$0.0	\$0.0	\$5.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other accrued liabilities	\$20.4	(\$10.7)	\$2.3	(\$0.6)	\$11.1	\$2.1	\$3.0	(\$10.7)	\$0.0	\$0.0	(\$7.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deferred rent	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Operating lease right-of-use assets and lease liabilities	\$5.6	\$1.5	\$1.8	\$0.6	\$1.3	\$5.3	\$1.1	\$2.1	\$0.0	\$0.0	\$3.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other liabilities	(\$9.7)	(\$4.8)	(\$5.8)	\$1.0	\$5.0	(\$4.5)	\$2.9	\$8.9	\$0.0	\$0.0	\$11.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Net Operating Cash Flows</b>	<b>\$468.8</b>	<b>\$187.8</b>	<b>\$110.9</b>	<b>\$96.4</b>	<b>\$116.7</b>	<b>\$511.7</b>	<b>\$189.0</b>	<b>\$99.3</b>	<b>\$109.6</b>	<b>\$163.8</b>	<b>\$561.6</b>	<b>\$94.9</b>	<b>\$186.0</b>	<b>\$117.0</b>	<b>\$179.4</b>	<b>\$577.3</b>	<b>\$632.4</b>
Year-to-date		\$187.8	\$298.7	\$395.1	\$511.7		\$189.0	\$288.2	\$397.8	\$561.6		\$94.9	\$280.8	\$397.9	\$577.3		
Investing Cash Flows																	
Capital expenditures - property and equipment	(\$200.7)	(\$49.0)	(\$59.5)	(\$65.6)	(\$71.9)	(\$246.1)	(\$66.7)	(\$87.8)	(\$70.0)	(\$75.0)	(\$299.6)	(\$70.0)	(\$70.0)	(\$75.0)	(\$85.0)	(\$300.0)	(\$310.0)
Acquisition of franchise restaurants, net of cash acquired	\$0.0	(\$26.4)	(\$6.6)	\$0.0	\$0.0	(\$33.1)	(\$39.1)	(\$0.0)	\$0.0	\$0.0	(\$39.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from sale of property and equipment, incl. insurance	\$5.6	\$2.2	\$0.3	\$9.2	\$3.8	\$15.5	\$2.5	\$5.2	\$0.0	\$0.0	\$7.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Net Investing Cash Flows</b>	<b>(\$195.1)</b>	<b>(\$73.3)</b>	<b>(\$65.9)</b>	<b>(\$56.5)</b>	<b>(\$68.1)</b>	<b>(\$263.7)</b>	<b>(\$103.3)</b>	<b>(\$82.7)</b>	<b>(\$70.0)</b>	<b>(\$75.0)</b>	<b>(\$331.0)</b>	<b>(\$70.0)</b>	<b>(\$70.0)</b>	<b>(\$75.0)</b>	<b>(\$85.0)</b>	<b>(\$300.0)</b>	<b>(\$310.0)</b>
Year-to-date		(\$73.3)	(\$139.1)	(\$195.6)	(\$263.7)		(\$103.3)	(\$186.0)	(\$256.0)	(\$331.0)		(\$70.0)	(\$140.0)	(\$215.0)	(\$300.0)		
Financing Cash Flows																	
Proceeds from revolving credit facility, net	(\$140.0)	\$0.0	(\$25.0)	\$0.0	(\$25.0)	(\$50.0)	(\$50.0)	\$0.0	\$0.0	\$0.0	(\$50.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Debt issuance costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from finance lease obligation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from noncontrolling interest contribution	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repurchase of shares of common stock	(\$51.6)	(\$84.7)	(\$128.2)	\$0.0	\$0.0	(\$212.9)	(\$9.6)	(\$23.4)	(\$20.0)	(\$20.0)	(\$73.1)	(\$25.0)	(\$25.0)	(\$25.0)	(\$25.0)	(\$100.0)	(\$110.0)
Distributions to noncontrolling interest holders	\$0.0	(\$2.0)	(\$3.9)	(\$1.7)	(\$1.9)	(\$9.5)	(\$2.0)	(\$2.2)	\$0.0	\$0.0	(\$4.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Excess tax benefits from share-based compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from stock option and other deposits, net	\$0.0	\$0.3	(\$0.1)	(\$0.0)	\$0.2	\$0.3	\$0.5	(\$0.1)	\$0.0	\$0.0	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repayment of stock option and other deposits, net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Indirect repurchase of shares for minimum tax withholdings	\$0.0	(\$6.2)	(\$2.5)	(\$2.4)	(\$2.5)	(\$13.6)	(\$5.4)	(\$2.8)	\$0.0	\$0.0	(\$8.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Principal payments on long-term debt and capital lease obligation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Excess tax benefits from share-based compensation	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Dividends paid to shareholders	(\$83.7)	(\$31.8)	(\$30.8)	(\$30.8)	(\$30.8)	(\$124.1)	(\$36.9)	(\$36.8)	(\$36.8)	(\$36.7)	(\$147.2)	(\$44.0)	(\$43.9)	(\$43.8)	(\$43.7)	(\$175.3)	(\$208.5)
Investments in unconsolidated affiliates	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	(\$25.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Net Financing Cash Flows</b>	<b>(\$301.2)</b>	<b>(\$124.4)</b>	<b>(\$190.4)</b>	<b>(\$35.0)</b>	<b>(\$60.0)</b>	<b>(\$409.8)</b>	<b>(\$103.4)</b>	<b>(\$65.4)</b>	<b>(\$56.8)</b>	<b>(\$56.7)</b>	<b>(\$282.3)</b>	<b>(\$69.0)</b>	<b>(\$68.9)</b>	<b>(\$68.8)</b>	<b>(\$68.7)</b>	<b>(\$275.3)</b>	<b>(\$318.5)</b>
Year-to-date		(\$124.4)	(\$314.8)	(\$349.8)	(\$409.8)		(\$103.4)	(\$168.8)	(\$223.5)	(\$282.3)		(\$69.0)	(\$137.9)	(\$206.8)	(\$275.3)		
Change in cash and equivalents	(\$27.5)	(\$9.9)	(\$145.3)	\$4.9	(\$11.5)	(\$161.8)	(\$17.7)	(\$48.8)	(\$17.2)	\$32.0	(\$51.7)	(\$44.1)	\$47.1	(\$26.7)	\$25.7	\$2.0	\$3.9
Cash at beginning of period	\$363.2	\$335.6	\$325.7	\$180.4	\$185.3	\$173.9	\$173.9	\$156.1	\$107.3	\$90.1	\$173.9	\$122.2	\$78.1	\$125.2	\$98.4	\$122.2	\$124.1
<b>Cash at end of period</b>	<b>\$335.6</b>	<b>\$325.7</b>	<b>\$180.4</b>	<b>\$185.3</b>	<b>\$173.9</b>	<b>\$173.9</b>	<b>\$156.1</b>	<b>\$107.3</b>	<b>\$90.1</b>	<b>\$122.2</b>	<b>\$122.2</b>	<b>\$78.1</b>	<b>\$125.2</b>	<b>\$98.4</b>	<b>\$124.1</b>	<b>\$124.1</b>	<b>\$128.1</b>
Cash on Balance Sheet	\$335.6	\$325.7	\$180.4	\$185.3	\$173.9	\$173.9	\$156.1	\$107.3	\$90.1	\$122.2	\$122.2	\$78.1	\$125.2	\$98.4	\$124.1	\$124.1	\$128.1
check																	
Free Cash Flow																	
2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	
Operating Cash Flow	\$468.8	\$187.8	\$110.9	\$96.4	\$116.7	\$511.7	\$189.0	\$99.3	\$109.6	\$163.8	\$561.6	\$94.9	\$186.0	\$117.0	\$179.4	\$577.3	\$632.4
Less: Capex	(\$200.7)	(\$49.0)	(\$59.5)	(\$65.6)	(\$71.9)	(\$246.1)	(\$66.7)	(\$87.8)	(\$70.0)	(\$75.0)	(\$299.6)	(\$70.0)	(\$70.0)	(\$75.0)	(\$85.0)	(\$300.0)	(\$310.0)
<b>Free Cash Flow</b>	<b>\$268.1</b>	<b>\$138.7</b>	<b>\$51.4</b>	<b>\$30.7</b>	<b>\$44.7</b>	<b>\$265.6</b>	<b>\$122.2</b>	<b>\$11.4</b>	<b>\$39.6</b>	<b>\$88.8</b>	<b>\$262.0</b>	<b>\$24.9</b>	<b>\$116.0</b>	<b>\$42.0</b>	<b>\$94.4</b>	<b>\$277.3</b>	<b>\$322.4</b>

Source : Company data, Deutsche Bank estimates



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Texas Roadhouse	TXRH.OO	96.19 (USD) 20 Oct 2023	NA

\*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/EquityResearchDisclosures>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Disclosures/Disclaimer>. Investors are strongly encouraged to review this information before investing.

## Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

## Important Disclosures Required by Non-U.S. Regulators

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For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/EquityResearchDisclosures>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Disclosures/Disclaimer>. Investors are strongly encouraged to review this information before investing.

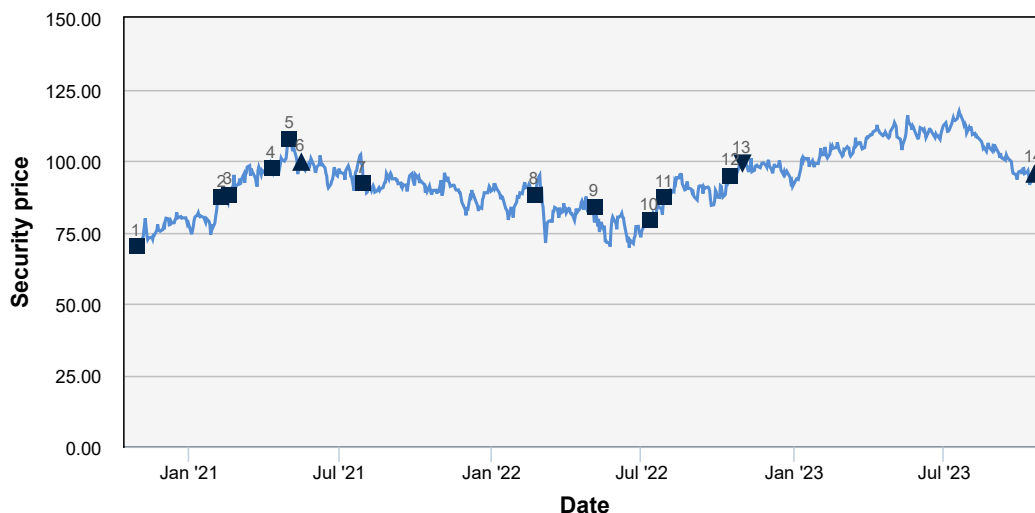
## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Lauren Silberman.



## Historical recommendations and target price: Texas Roadhouse (TXRH.OQ)

(as of 10/20/2023)



### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	10/30/2020	Hold, Target Price Change USD 68.00, Current Price USD 70.03 Brian Mullan**	8.	02/23/2022	Buy, Target Price Change USD 112.00, Current Price USD 88.02 Brian Mullan**
2.	02/10/2021	Hold, Target Price Change USD 83.00, Current Price USD 87.24 Brian Mullan**	9.	05/06/2022	Buy, Target Price Change USD 107.00, Current Price USD 83.91 Brian Mullan**
3.	02/19/2021	Hold, Target Price Change USD 80.00, Current Price USD 87.91 Brian Mullan**	10.	07/12/2022	Buy, Target Price Change USD 91.00, Current Price USD 79.06 Brian Mullan**
4.	04/12/2021	Hold, Target Price Change USD 102.00, Current Price USD 97.56 Brian Mullan**	11.	07/29/2022	Buy, Target Price Change USD 97.00, Current Price USD 87.22 Brian Mullan**
5.	05/03/2021	Hold, Target Price Change USD 116.00, Current Price USD 107.41 Brian Mullan**	12.	10/17/2022	Buy, Target Price Change USD 100.00, Current Price USD 94.58 Brian Mullan**
6.	05/17/2021	Upgraded to Buy, Target Price Change USD 116.00, Current Price USD 99.67 Brian Mullan**	13.	10/31/2022	Downgraded to Hold, Target Price Change USD 101.00, Current Price USD 98.95 Brian Mullan**
7.	07/30/2021	Buy, Target Price Change USD 118.00, Current Price USD 92.17 Brian Mullan**	14.	10/18/2023	Upgraded to Buy, Target Price Change USD 111.00, Current Price USD 95.49 Raymon Wang

## Equity Rating Key

**Buy:** Based on a current 12-month view of TSR, we recommend that investors buy the stock.

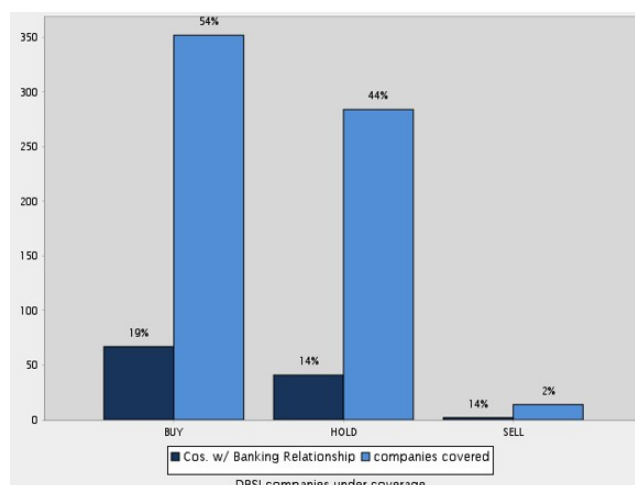
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**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

TSR = Total Shareholder Return. Percentage change in share price from current price to projected target price plus projected dividend yield

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## Equity rating dispersion and banking relationships







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