

October 27, 2023

Rating:

OUTPERFORM

Price:

\$94.63

12-Month Price Target:

\$110.00

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Company Information

Market Cap (M)	\$6,342
Enterprise Value (M)	\$6,277
Shares Outst (M)	67.0
52-Week Range	\$90.38 - \$118.16
Cash/sh	\$0.96
Tangible Book Value/sh	\$14.37
Net Debt (M)	\$(64.28)
Yield	2.32%

REV (M)	in \$		
FYE Dec	2022A	2023E	2024E
Q1 Mar	987.5A	1,174.4A	1,300.4E
Previous			1,266.2E
Q2 Jun	1,024.6A	1,171.2A	1,292.7E
Previous			1,263.5E
Q3 Sep	993.3A	1,121.8A	1,240.2E
Previous		1,116.9E	1,208.9E
Q4 Dec	1,009.5A	1,148.1E	1,344.0E
Previous		1,126.5E	1,220.5E
Year*	4,014.9A	4,615.4E	5,177.3E
Previous		4,589.0E	4,959.1E

EPS	in \$		
FYE Dec	2022A	2023E	2024E
Q1 Mar	1.08A	1.28A	1.55E
Previous			1.49E
Q2 Jun	1.07A	1.22A	1.39E
Previous			1.33E
Q3 Sep	0.93A	0.95A	1.14E
Previous		1.01E	1.16E
Q4 Dec	0.89A	1.10E	1.34E
Previous		1.03E	1.24E
Year*	3.97A	4.56E	5.41E
Previous		4.55E	5.22E
P/E	23.8x	20.8x	17.5x

Pricing data provided by Thomson Reuters.

*Numbers may not add up due to rounding.

Texas Roadhouse Inc. (TXRH)

Transactions Continue to Fuel Comp Upside; Reiterate OUTPERFORM

The Wedbush View

Notwithstanding near- and medium-term margin headwinds, we continue to view TXRH as one of the primary share gainers within the casual dining category for the foreseeable future.

- **Q3 EPS below expectations despite better-than-expected SSS growth.** EPS of \$0.95 was below \$1.06 consensus on co-owned SSS growth of 8.2% vs. 7.5% consensus and domestic franchised SSS growth of 7.8% vs. 6.7% consensus. Average check growth was 4.1% and traffic was 4.1%. By month, July SSS growth was 10.7%, August was 7.8%, and September was 6.6%. UL margin of 14.6% was below consensus of 15.2%, driven by a 70 bp impact from adjustments made to the quarterly reserves for general liability insurance and a 30 bp impact from gift card breakage.
- **October SSS growth commentary well above expectations.** For the first 4 weeks of Q4, AWS were \$141K (vs. our \$139.5K estimate for all of Q4) on co-owned SSS growth of 9.2% (vs. 6.5% consensus), including 3.4% transaction growth. We conservatively increase our Q4 company SSS growth estimate to 8.0% from 6.5% and our 2023 SSS growth estimate to 9.6% from 9.0%. We now model 3.0% transaction growth in Q4. We continue to view TXRH's attractive value proposition and operational initiatives, particularly those focused on driving faster table turns during peak periods, as the primary drivers of SSS growth.
- **We remain cautious with respect to COGS and labor expense through 2024.** Q3 commodity inflation was 4.2% and labor inflation was 5.6% (plus 3.3% growth in hours). Management continues to expect 2023 commodity inflation at the higher end of the previously guided 5-6% range, driven by continued beef inflation. 75% of the basket is contracted for Q4. Labor inflation guidance of 6-7% in 2023 was also reiterated. Additionally, management provided initial 2024 commodity and labor inflation guidance of 5-6% and 4-5%, respectively. An incremental menu price increase of 2.7% at the start of October will result in Q4 pricing of 5.5%, and a blended 2023 menu price estimate of 5.6%. We raise our Q4 UL margin estimate to 15.3% from 14.9%, but maintain our 2023 UL margin estimate of 15.4%. We lower our 2024 UL margin estimate slightly to 15.6% from 15.7%.
- **CapEx step-up aims to accelerate unit openings.** Management now expects as many as 12 new company openings in Q4:23, for a total of 30 company openings in 2023. Additionally, 2024 unit growth guidance is for ~30 co-owned openings (with 15 expected in 1H:24), and 9 franchised openings in 2024. Given continued unit development headwinds, management raised 2023 CapEx guidance to \$340M (prev. ~\$300M) in an effort to accelerate store openings in Q4:23 and 2024. Additionally, management expects 2024 CapEx of \$340-350M. We model 30 company openings in 2023, and 29 company openings in 2024.

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- **We increase our 2023 EPS estimate to \$4.56 from \$4.55.** We also increase our 2024 EPS estimate to \$5.41 from \$5.22.
- **Maintain OUTPERFORM and \$110 PT.** Our PT is based on a 12.1x EV/EBITDA multiple on our 2024 EBITDA estimate, a ~5% premium to TXRH's 5-year pre-COVID median forward EV/EBITDA multiple of 11.5x. We believe such a premium is appropriate given deteriorating near- and medium-term top- and bottom-line visibility. A premium remains appropriate given category-leading transaction trends.

Texas Roadhouse Revenue Model

(in 000's, except per share data and ratios, FY ends December 31)

	2021A				2022A				2023E				2024E			
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-23	Jun-23	Sep-23	Dec-23
	Q1:21A	Q2:21A	Q3:21A	Q4:21A	Q1:22A	Q2:22A	Q3:22A	Q4:22A	Q1:23A	Q2:23A	Q3:23A	Q4:23E	Q1:24E	Q2:24E	Q3:24E	Q4:24E
Revenue																
Restaurant Sales	794,923	892,444	862,757	889,052	980,972	1,018,057	986,999	1,002,763	1,167,583	1,164,385	1,115,224	1,140,757	1,292,806	1,284,730	1,232,661	1,335,182
Franchise Royalties and Fees	5,706	6,344	6,186	6,534	6,514	6,549	6,299	6,766	6,773	6,818	6,528	7,317	7,613	7,957	7,523	8,836
Total Revenues	800,629	898,788	868,943	895,586	987,486	1,024,606	993,298	1,009,529	1,174,356	1,171,203	1,121,752	1,148,074	1,300,419	1,292,687	1,240,184	1,344,018
EOP System-Wide Units	637	647	654	667	672	678	685	697	704	709	722	738	748	757	766	776
Company Units																
BOP Restaurants	537	540	548	555	566	576	582	587	597	611	614	623	635	643	650	657
Restaurants Opened	3	8	7	11	3	5	5	10	6	3	9	12	8	7	7	7
Restaurants Closed or Relocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restaurants Acquired from Franchisees	-	-	-	-	7	1	-	-	8	-	-	-	-	-	-	-
Restaurants Sold to Franchisees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EOP Restaurants	540	548	555	566	576	582	587	597	611	614	623	635	643	650	657	664
Franchise Units																
BOP Restaurants	97	97	99	99	101	96	96	98	100	93	95	99	103	105	107	109
Restaurants Opened	-	2	-	2	2	1	2	2	1	3	4	4	2	2	2	3
Restaurants Closed or Relocated	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-
Restaurants Acquired from Company	-	-	-	-	(7)	(1)	-	-	(8)	-	-	-	-	-	-	-
Restaurants Sold to Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EOP Restaurants	97	99	99	101	96	96	98	100	93	95	99	103	105	107	109	112
Same Store Sales																
Company SSS (% Growth)	18.5%	80.2%	30.2%	33.1%	16.0%	7.6%	8.2%	7.3%	12.9%	9.1%	8.2%	8.0%	5.3%	4.5%	4.5%	3.5%
Domestic Franchised SSS (% Growth)	15.2%	76.5%	33.5%	34.8%	20.4%	6.2%	6.7%	7.2%	13.3%	9.2%	7.8%	8.0%	5.3%	4.5%	4.5%	3.5%
System-Wide SSS (% Growth)	18.3%	79.6%	30.6%	33.4%	16.6%	7.4%	8.2%	7.3%	13.0%	9.1%	8.2%	8.0%	5.3%	4.5%	4.5%	3.5%

Source: Company data and Wedbush Securities estimates

Texas Roadhouse Quarterly Income Statement

(in 000's, except per share data and ratios, FY ends December 31)

	2021A				2022A				2023E				2024E			
	Mar-21 Q1:21A	Jun-21 Q2:21A	Sep-21 Q3:21A	Dec-21 Q4:21A	Mar-22 Q1:22A	Jun-22 Q2:22A	Sep-22 Q3:22A	Dec-22 Q4:22A	Mar-23 Q1:23A	Jun-23 Q2:23A	Sep-23 Q3:23A	Dec-23 Q4:23E	Mar-23 Q1:24E	Jun-23 Q2:24E	Sep-23 Q3:24E	Dec-23 Q4:24E
Restaurant Sales	794,923	892,444	862,757	889,052	980,972	1,018,057	986,999	1,002,763	1,167,583	1,164,385	1,115,224	1,140,757	1,292,806	1,284,730	1,232,661	1,335,182
Franchise Royalties and Fees	5,706	6,344	6,186	6,534	6,514	6,549	6,299	6,766	6,773	6,818	6,528	7,317	7,613	7,957	7,523	8,836
Revenue	800,629	898,788	868,943	895,586	987,486	1,024,606	993,298	1,009,529	1,174,356	1,171,203	1,121,752	1,148,074	1,300,419	1,292,687	1,240,184	1,344,018
Restaurant Operating Costs																
Cost of Sales	251,482	295,504	298,164	311,478	337,396	347,041	342,032	351,723	410,711	401,204	386,184	398,255	451,305	442,670	426,851	470,636
Labor	258,036	288,147	286,593	290,227	321,871	333,042	330,219	334,827	385,819	391,337	378,814	382,684	432,952	431,783	418,704	452,234
Rent	14,452	14,956	15,089	15,508	16,368	16,714	16,703	17,049	17,828	17,996	18,177	18,477	19,238	19,375	19,590	21,313
Other Operating Expenses	123,379	135,606	127,769	131,054	144,154	152,524	146,036	153,591	167,529	171,092	169,225	167,270	181,668	185,104	183,271	193,887
Restaurant Level Operating Income	147,574	158,231	135,142	140,785	161,183	168,736	152,009	145,573	185,696	182,756	162,824	174,071	216,643	205,797	184,245	197,113
Pre-Opening	4,268	6,319	6,740	7,008	4,291	5,323	5,701	6,568	5,377	5,671	8,663	7,200	7,169	7,000	6,738	4,200
Depreciation and Amortization	30,869	31,650	31,627	32,615	33,620	34,420	33,735	35,462	36,227	37,413	39,124	39,903	40,619	41,930	43,192	44,322
Impairment and closure	504	17	29	184	(646)	411	772	1,063	55	78	(2)	250	250	250	250	250
G&A	36,712	36,861	41,234	42,673	40,294	49,213	42,812	40,393	49,865	51,000	47,708	47,465	52,653	53,969	50,310	50,135
Total Operating Expenses	719,702	809,060	807,245	830,747	897,348	938,688	918,010	940,676	1,073,411	1,075,791	1,047,893	1,061,504	1,176,854	1,182,081	1,148,906	1,236,977
Operating Income (Loss)	80,927	89,728	61,698	64,839	90,138	85,918	75,288	68,853	100,945	95,412	73,859	86,570	123,565	110,606	91,278	107,042
Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adj. Operating Income (Loss)	80,927	89,728	61,698	64,839	90,138	85,918	75,288	68,853	100,945	95,412	73,859	86,570	123,565	110,606	91,278	107,042
Interest Expense (Income)	1,460	975	604	624	397	395	85	(753)	(1,238)	(996)	(496)	(836)	(953)	(846)	(795)	(672)
Equity income from unconsolidated affiliates	217	(239)	(266)	925	(334)	(545)	(190)	(170)	(755)	(287)	(139)	(139)	(139)	(139)	(139)	(139)
Income Before Taxes	79,250	88,992	61,360	63,290	90,075	86,068	75,393	69,776	102,938	96,695	74,494	87,545	124,657	111,590	92,211	107,853
Provision for Income Taxes	(12,820)	(11,067)	(7,144)	(8,547)	(12,747)	(11,531)	(11,430)	(8,007)	(14,334)	(12,270)	(8,870)	(11,819)	(18,075)	(16,181)	(13,371)	(15,639)
Net Income	66,430	77,925	54,216	54,743	77,328	74,537	63,963	61,769	88,604	84,425	65,624	75,726	106,582	95,410	78,841	92,214
Net Loss Attributable to Noncontrolling Interest	2,280	2,445	1,610	1,685	2,126	2,118	1,635	1,900	2,217	2,154	1,836	2,119	2,982	2,669	2,206	2,580
Net Income Attributable to TX Roadhouse	64,150	75,480	52,606	53,058	75,202	72,419	62,328	59,869	86,387	82,271	63,788	73,608	103,600	92,741	76,635	89,634
Earnings (Loss) Per Share:																
Adj. EPS	0.91	1.08	0.75	0.76	1.08	1.07	0.93	0.89	1.28	1.22	0.95	1.10	1.55	1.39	1.14	1.34
GAAP	0.91	1.08	0.75	0.76	1.08	1.07	0.93	0.89	1.28	1.22	0.95	1.10	1.55	1.39	1.14	1.34
Basic Shares Outstanding	69,637	69,790	69,808	69,601	69,086	67,654	66,886	66,946	67,016	66,974	66,779	66,679	66,699	66,719	66,739	66,759
Diluted Shares Outstanding	70,137	70,161	70,146	69,969	69,373	67,890	67,159	67,270	67,293	67,229	67,014	66,914	66,934	66,954	66,974	66,994
Cash Dividends per Share	-	0.40	0.40	0.40	0.46	0.46	0.46	0.46	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60
EBITDA																
Depreciation & Amortization	30,869	31,650	31,627	32,615	33,620	34,420	33,735	35,462	36,227	37,413	39,124	39,903	40,619	41,930	43,192	44,322
EBITDA	111,796	121,378	93,325	97,454	123,758	120,338	109,023	104,315	137,172	132,825	112,983	126,473	164,184	152,536	134,470	151,364
Adj. EBITDA	111,796	121,378	93,325	97,454	123,758	120,338	109,023	104,315	137,172	132,825	112,983	126,473	164,184	152,536	134,470	151,364
Margin Analysis																
Cost of Sales/Sales	31.6%	33.1%	34.6%	35.0%	34.4%	34.1%	34.7%	35.1%	35.2%	34.5%	34.6%	34.9%	34.9%	34.5%	34.6%	35.2%
Labor/Sales	32.5%	32.3%	33.2%	32.6%	32.8%	32.7%	33.5%	33.4%	33.0%	33.6%	34.0%	33.5%	32.8%	33.6%	34.0%	33.9%
Rent/Sales	1.8%	1.7%	1.7%	1.7%	1.7%	1.6%	1.7%	1.7%	1.5%	1.5%	1.6%	1.6%	1.5%	1.5%	1.6%	1.6%
Other Operating Expenses/Sales	15.5%	15.2%	14.8%	14.7%	14.7%	15.0%	14.8%	15.3%	14.3%	14.7%	15.2%	14.7%	14.1%	14.4%	14.9%	14.5%
Restaurant Level Operating Margin	18.6%	17.7%	15.7%	15.8%	16.4%	16.6%	15.4%	14.5%	15.9%	15.7%	14.6%	15.3%	16.8%	16.0%	14.9%	14.8%
G&A/Sales	4.6%	4.1%	4.7%	4.8%	4.1%	4.8%	4.3%	4.0%	4.2%	4.4%	4.3%	4.1%	4.0%	4.2%	4.1%	3.7%
D&A/Sales	3.9%	3.5%	3.6%	3.6%	3.4%	3.4%	3.4%	3.5%	3.1%	3.2%	3.5%	3.5%	3.1%	3.2%	3.5%	3.3%
Operating Margin	10.1%	10.0%	7.1%	7.2%	9.1%	8.4%	7.6%	6.8%	8.6%	8.1%	6.6%	7.5%	9.5%	8.6%	7.4%	8.0%
Pre Tax Margin	9.9%	9.9%	7.1%	7.1%	9.1%	8.4%	7.6%	6.9%	8.8%	8.3%	6.6%	7.6%	9.6%	8.6%	7.4%	8.0%
Tax Rate	16.2%	12.4%	11.6%	13.5%	14.2%	13.4%	15.2%	11.5%	13.9%	12.7%	11.9%	13.5%	14.5%	14.5%	14.5%	14.5%
Net Income	8.3%	8.7%	6.2%	6.1%	7.8%	7.3%	6.4%	6.1%	7.5%	7.2%	5.9%	6.6%	8.2%	7.4%	6.4%	6.9%
EBITDA Margin	14.0%	13.5%	10.7%	10.9%	12.5%	11.7%	11.0%	10.3%	11.7%	11.3%	10.1%	11.0%	12.6%	11.8%	10.8%	11.3%
Year/Year Growth																
Restaurant Sales	22.7%	88.6%	37.7%	40.4%	23.4%	14.1%	14.4%	12.8%	19.0%	14.4%	13.0%	13.8%	10.7%	10.3%	10.5%	17.0%
Franchise Royalties and Fees	16.5%	90.2%	30.1%	31.8%	14.2%	3.2%	1.8%	3.6%	4.0%	4.1%	3.6%	8.1%	12.4%	16.7%	15.2%	20.8%
Revenues	22.7%	88.7%	37.7%	40.4%	23.3%	14.0%	14.3%	12.7%	18.9%	14.3%	12.9%	13.7%	10.7%	10.4%	10.6%	17.1%
Restaurant Level Operating Profit	87.7%	123.8%	48.3%	67.5%	9.2%	6.6%	12.5%	3.4%	15.2%	8.3%	7.1%	19.6%	16.7%	12.6%	13.2%	13.2%
G&A	11.4%	24.5%	58.9%	37.7%	9.8%	33.5%	3.8%	-5.3%	23.8%	3.6%	11.4%	17.5%	5.6%	5.8%	5.5%	5.6%
D&A	6.2%	9.1%	7.7%	7.1%	8.9%	8.8%	6.7%	8.7%	7.8%	8.7%	16.0%	12.5%	12.1%	12.1%	10.4%	11.1%
Operating Income	412.5%	n/m	76.4%	217.9%	11.4%	-4.2%	22.0%	6.2%	12.0%	11.1%	-1.9%	25.7%	22.4%	15.9%	23.6%	23.6%
Pre Tax Profit	420.9%	n/m	83.3%	233.1%	13.7%	-3.3%	22.9%	10.2%	14.3%	12.3%	-1.2%	25.5%	21.1%	15.4%	23.8%	23.2%
Net Income	287.3%	n/m	78.3%	164.8%	16.4%	-4.3%	18.0%	12.8%	14.6%	13.3%	2.6%	22.6%	20.3%	13.0%	20.1%	21.8%
EBITDA	149.3%	n/m	45.0%	91.7%	10.7%	-0.9%	16.8%	7.0%	10.8%	10.4%	3.6%	21.2%	19.7%	14.8%	19.0%	19.7%
EPS	298.6%	n/m	79.3%	171.7%	18.5%	-0.8%	23.8%	17.4%	18.4%	14.7%	2.6%	23.6%	20.6%	13.2%	20.2%	21.6%
Quarter/Quarter Growth																
Restaurant Sales	25.6%	12.3%	-3.3%	3.0%	10.3%	3.8%	-3.1%	1.6%	16.4%	-0.3%	-4.2%	2.3%	13.3%	-0.6%	-4.1%	8.3%
Franchise Royalties and Fees	15.1%	11.2%	-2.5%	5.6%	-0.3%	0.5%	-3.8%	7.4%	0.1%	0.7%	-4.3%	12.1%	4.1%	4.5%	-5.5%	17.5%
Revenues	25.5%	12.3%	-3.3%	3.1%	10.3%	3.8%	-3.1%	1.6%	16.3%	-0.3%	-4.2%	2.3%	13.3%	-0.6%	-4.1%	8.4%
Restaurant Level Operating Profit	75.6%	7.2%	-14.6%	4.2%	14.5%	4.7%	-9.9%	-4.2%	27.6%	-1.6%	-10.9%	6.9%	24.5%	-5.0%	-10.5%	7.0%
G&A	18.5%	0.4%	11.9%	3.5%	-5.6%	22.1%	-13.0%	-5.7%	23.4%	2.3%	-6.5%	-0.5%	10.9%	2.5%	-6.8%	-0.3%
D&A	1.4%	2.5%	-0.1%	3.1%	3.1%	2.4%	-2.0%									

Texas Roadhouse Annual Income Statement

(in 000's, except per share data and ratios, FY ends December 31)

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E
Restaurant Sales	2,203,017	2,437,115	2,734,177	2,380,177	3,439,176	3,988,791	4,587,949	5,145,378
Franchise Royalties and Fees	16,514	20,334	21,986	17,946	24,770	26,128	27,436	31,930
Revenue	2,219,531	2,457,449	2,756,163	2,398,123	3,463,946	4,014,919	4,615,385	5,177,308
Restaurant Operating Costs								
Cost of Sales	721,550	795,300	883,357	780,646	1,156,628	1,378,192	1,596,354	1,791,461
Labor	687,545	793,384	905,614	875,764	1,123,003	1,319,959	1,538,654	1,726,674
Rent	44,807	48,791	52,531	54,401	60,005	66,834	72,478	79,515
Other Operating Expenses	342,702	375,477	418,448	403,726	517,808	596,305	675,116	743,930
Restaurant Level Operating Income	406,413	424,163	474,227	265,640	581,732	627,501	705,347	803,797
Pre-Opening	19,274	19,051	20,156	20,099	24,335	21,883	26,911	25,107
Depreciation and Amortization	93,499	101,216	115,544	117,877	126,761	137,237	152,667	170,063
Impairment and closure	654	278	(899)	2,263	734	1,600	381	1,000
G&A	123,294	136,163	149,389	119,503	157,480	172,712	196,038	207,067
Total Operating Expenses	2,033,325	2,269,660	2,544,140	2,374,279	3,166,754	3,694,722	4,258,599	4,744,818
Operating Income (Loss)	186,206	187,789	212,023	23,844	297,192	320,197	356,786	432,490
Interest Expense	1,577	591	(1,514)	4,091	3,663	124	(3,566)	(3,266)
Equity income from unconsolidated affiliates	(1,488)	(1,353)	(378)	500	637	(1,239)	(1,320)	(556)
Income Before Taxes	186,117	188,551	213,915	19,253	292,892	321,312	361,672	436,311
Provision for Income Taxes	(48,581)	(24,257)	(32,397)	15,672	(39,578)	(43,715)	(47,293)	(63,265)
Net Income	137,536	164,294	181,518	34,925	253,314	277,597	314,379	373,046
Net Loss Attributable to Noncontrolling Interest	6,010	6,069	7,066	3,670	8,020	7,779	8,326	10,437
Net Income Attributable to TX Roadhouse	131,526	158,225	174,452	31,255	245,294	269,818	306,054	362,609
Adjustments to Net Income	9,200	-	-	-	-	-	-	-
Adj. Net Income Attributable to TX Roadhouse	140,726	158,225	174,452	31,255	245,294	269,818	306,054	362,609
Earnings (Loss) Per Share:								
Adjusted	1.97	2.20	2.46	0.45	3.50	3.97	4.56	5.41
GAAP	1.84	2.20	2.46	0.45	3.50	3.97	4.56	5.41
Basic Shares Outstanding	70,989	71,468	70,530	69,439	69,709	67,643	66,862	66,729
Diluted Shares Outstanding	71,514	71,973	70,937	69,791	70,103	67,923	67,113	66,964
Cash Dividends per Share	0.84	1.00	1.20	0.36	1.20	1.84	2.20	2.40
EBITDA								
Depreciation & Amortization	93,499	101,216	115,544	117,877	126,761	137,237	152,667	170,063
EBITDA	279,705	289,005	327,567	141,721	423,953	457,434	509,453	602,553
Adj. EBITDA	294,605	289,005	327,567	141,721	423,953	457,434	509,453	602,553
Margin Analysis								
Cost of Sales/Sales	32.8%	32.6%	32.3%	32.8%	33.6%	34.6%	34.8%	34.8%
Labor/Sales	31.2%	32.6%	33.1%	36.8%	32.7%	33.1%	33.5%	33.6%
Rent/Sales	2.0%	2.0%	1.9%	2.3%	1.7%	1.7%	1.6%	1.5%
Other Operating Expenses/Sales	15.6%	15.4%	15.3%	17.0%	15.1%	14.9%	14.7%	14.5%
Restaurant Level Operating Margin	18.4%	17.4%	17.3%	11.2%	16.9%	15.7%	15.4%	15.6%
G&A/Sales	5.6%	5.5%	5.4%	5.0%	4.5%	4.3%	4.2%	4.0%
D&A/Sales	4.2%	4.1%	4.2%	4.9%	3.7%	3.4%	3.3%	3.3%
Operating Margin	8.4%	7.6%	7.7%	1.0%	8.6%	8.0%	7.7%	8.4%
Pre Tax Margin	8.4%	7.7%	7.8%	0.8%	8.5%	8.0%	7.8%	8.4%
Tax Rate	26.1%	12.9%	15.1%	-81.4%	13.5%	13.6%	13.1%	14.5%
Net Income	6.2%	6.7%	6.6%	1.5%	7.3%	6.9%	6.8%	7.2%
EBITDA Margin	12.6%	11.8%	11.9%	5.9%	12.2%	11.4%	11.0%	11.6%
Year/Year Growth								
Restaurant Sales	11.6%	10.6%	12.2%	-12.9%	44.5%	16.0%	15.0%	12.1%
Franchise Royalties and Fees	0.4%	23.1%	8.1%	-18.4%	38.0%	5.5%	5.0%	16.4%
Revenues	11.5%	10.7%	12.2%	-13.0%	44.4%	15.9%	15.0%	12.2%
Restaurant Level Operating Profit	10.2%	4.4%	11.8%	-44.0%	119.0%	7.9%	12.4%	14.0%
G&A	11.3%	10.4%	9.7%	-20.0%	31.8%	9.7%	13.5%	5.6%
D&A	12.7%	8.3%	14.2%	2.0%	7.5%	8.3%	11.2%	11.4%
Operating Income	8.3%	0.9%	12.9%	-88.8%	1146.4%	7.7%	11.4%	21.2%
Pre Tax Profit	8.4%	1.3%	13.5%	-91.0%	1421.3%	9.7%	12.6%	20.6%
Net Income	14.1%	19.5%	10.5%	-80.8%	625.3%	9.6%	13.3%	18.7%
EBITDA	9.7%	3.3%	13.3%	-56.7%	199.1%	7.9%	11.4%	18.3%
EPS	12.9%	19.5%	11.9%	-81.8%	681.3%	13.5%	14.8%	18.7%

Source: Company reports and Wedbush Securities estimates

Texas Roadhouse Annual Balance Sheet Statement

(in 000's, except per share data and ratios, FY ends December 31)

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E
Assets:								
Cash and cash equivalents	150,918	210,125	107,879	363,155	335,645	173,861	136,160	256,843
Receivables, net of allowance for doubtful acctns	76,496	92,114	99,305	98,418	161,358	150,264	170,886	200,051
Inventories	16,306	18,827	20,267	22,364	31,595	38,015	43,044	50,867
Prepaid income taxes	-	7,569	2,015	4,502	10,701	5,097	1,402	1,402
Prepaid expenses	13,361	16,384	18,433	22,212	24,226	29,604	25,901	25,901
Deferred tax assets	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Current Assets	257,081	345,019	247,899	510,651	563,525	396,841	377,393	535,065
Property and equipment	912,147	956,676	1,056,563	1,088,623	1,162,441	1,270,349	1,466,285	1,645,690
Operating lease right-of-use asset	-	-	499,801	530,625	578,413	630,258	662,730	662,730
Goodwill	121,040	123,220	124,748	127,001	127,001	148,732	169,684	169,684
Intangible Assets	2,700	1,959	1,234	2,271	1,520	5,607	4,986	4,986
Deferred tax assets, net	-	-	-	-	-	-	-	-
Other assets	37,655	42,402	53,320	65,990	79,052	73,878	84,174	84,174
Total Assets	1,330,623	1,469,276	1,983,565	2,325,161	2,511,952	2,525,665	2,765,251	3,102,328
Liabilities:								
Current maturities of LT debt and capital lease oblig.	9	-	-	50,000	-	-	-	-
Current portion of operating lease liabilities	-	-	17,263	19,271	21,952	25,490	27,015	27,015
Accounts payable	57,579	62,060	61,653	66,977	95,234	105,560	119,525	141,248
Deferred revenue-gift cards	156,627	192,242	209,258	232,812	300,657	335,403	385,713	443,570
Accrued wages	29,678	34,159	39,699	51,982	64,716	54,544	67,164	67,164
Income taxes payable	2,494	-	-	2,859	85	434	1,963	1,963
Accrued taxes and licenses	21,997	24,631	30,433	24,751	33,375	35,264	40,673	40,673
Dividends payable	14,945	17,904	-	-	-	-	-	-
Other accrued liabilities	46,669	54,146	58,914	57,666	86,125	95,315	88,385	88,385
Total Current Liabilities	329,998	385,142	417,220	506,318	602,144	652,010	730,439	810,019
LT debt and capital lease oblig, ex current maturity	51,981	2,081	-	190,000	100,000	50,000	-	-
Operating lease liabilities, net of current portion	-	-	538,710	572,171	622,892	677,874	712,800	712,800
Stock option and other deposits	7,699	7,703	8,249	7,481	8,027	7,979	8,594	8,594
Deferred rent	42,141	48,079	-	-	-	-	-	-
Deferred tax liabilities	5,301	17,268	22,695	2,802	11,734	20,979	22,454	22,454
FV of derivative financial instruments	-	-	-	-	-	-	-	-
Other liabilities	42,112	48,295	65,522	103,338	93,671	89,161	104,910	112,910
Total Liabilities	479,232	508,568	1,052,396	1,382,110	1,438,468	1,498,003	1,579,197	1,666,777
Preferred stock, \$0.001 par value	-	-	-	-	-	-	-	-
Common stock, \$0.001 par value	71	72	69	70	69	67	67	67
Paid-in capital	236,548	257,388	140,501	145,626	114,504	13,139	19,856	56,456
Retained Earnings	602,499	688,337	775,649	781,915	943,551	999,432	1,150,864	1,363,760
Accumulated other comprehensive loss	(39)	(228)	(225)	(106)	-	-	-	-
Total Shareholders' Equity	839,079	945,569	915,994	927,505	1,058,124	1,012,638	1,170,787	1,420,283
Noncontrolling interest	12,312	15,139	15,175	15,546	15,360	15,024	15,268	15,268
Total Equity	851,391	960,708	931,169	943,051	1,073,484	1,027,662	1,186,055	1,435,551
Total Liabilities and Shareholders' Equity	1,330,623	1,469,276	1,983,565	2,325,161	2,511,952	2,525,665	2,765,251	3,102,328

Return on Sales	6.2%	6.7%	6.6%	1.5%	7.3%	6.9%	6.8%	7.2%
Total Asset Turnover	1.67	1.67	1.39	1.03	1.38	1.59	1.67	1.67
Financial Leverage	0.64	0.65	0.47	0.41	0.43	0.41	0.43	0.46
Retention Ratio	54%	55%	51%	20%	66%	54%	52%	56%
Return on Equity	6.6%	7.3%	4.3%	0.6%	4.3%	4.5%	4.9%	5.6%
Return on Assets	10.3%	11.2%	9.2%	1.5%	10.1%	11.0%	11.4%	12.0%
Sustainable Growth	3.6%	4.0%	2.2%	0.1%	2.8%	2.4%	2.5%	3.1%

Inventory Turnover	177.0	169.0	174.3	139.6	146.4	145.0	148.3	140.9
Inventory Days	2.0	2.1	2.1	2.6	2.5	2.5	2.4	2.6
Receivables Turnover	29.0	26.7	27.8	24.4	21.5	26.7	27.0	25.9
Days Receivable	12.4	13.5	13.0	14.8	16.8	13.5	13.3	13.9
Payables Turnover	12.5	12.8	14.3	11.7	12.1	13.1	13.4	12.7
Days Payable	28.7	28.1	25.1	30.9	29.6	27.6	27.0	28.4

Current Ratio	0.8	0.9	0.6	1.0	0.9	0.6	0.5	0.7
Quick Ratio	0.7	0.8	0.5	1.0	0.9	0.5	0.5	0.6
Debt to Equity	6.2%	0.2%	0.0%	25.9%	9.5%	4.9%	0.0%	0.0%
Debt to Capital	5.8%	0.2%	0.0%	20.6%	8.6%	4.7%	0.0%	0.0%
Net Working Capital	(72,917)	(40,123)	(169,321)	4,333	(38,619)	(255,169)	(353,046)	(274,954)
Book Value per Share	\$11.73	\$13.14	\$12.91	\$13.29	\$15.09	\$14.91	\$17.45	\$21.21
Tangible Book Value per Share	\$10.17	\$11.61	\$11.35	\$11.66	\$13.48	\$12.86	\$15.07	\$18.83
Cash & Investments per Share, Net	\$1.38	\$2.89	\$1.52	\$1.76	\$3.36	\$1.82	\$2.03	\$3.84

Source: Company reports, Wedbush Securities estimates.

Texas Roadhouse Annual Cash Flow Statement

(in 000's, except per share data and ratios, FY ends December 31)

	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E
Cash Flow from Operating Activities:								
Net income	137,536	164,294	181,518	34,925	253,314	277,597	314,379	373,046
Depreciation and amortization	93,499	101,216	115,544	117,877	126,761	137,237	152,667	170,063
Deferred income taxes	(5,069)	12,319	6,335	(19,932)	8,896	9,456	1,767	-
Loss on disposition of assets	4,961	6,008	5,885	3,144	3,167	5,206	3,475	-
Impairment and closure costs	600	105	(1,283)	2,290	673	1,770	39	-
Equity income from investments in unconsolidated affiliates	(1,488)	(1,353)	(378)	500	637	(1,239)	(1,042)	-
Distributions of income received from investments in uncon. Aff.	1,424	1,656	1,837	329	1,071	1,022	358	-
Provision for doubtful accounts	10	(9)	(22)	(1)	7	33	1	-
Share-based compensation expense	26,934	33,983	35,500	29,431	38,139	36,663	36,600	36,600
Changes in operating WC								
Receivables	(20,379)	(15,597)	(5,774)	1,058	(62,399)	11,062	(19,848)	(29,165)
Inventories	(48)	(2,495)	(1,414)	(2,017)	(9,231)	(6,099)	(4,620)	(7,823)
Prepaid expenses	(1,211)	(3,023)	(2,049)	(2,133)	(2,485)	(6,540)	5,111	-
Other assets	(7,401)	(4,290)	(12,823)	(12,698)	(13,918)	5,775	(10,119)	-
Accounts payable	1,601	8,882	407	490	27,730	5,408	13,237	21,723
Deferred revenue - gift cards	26,678	35,519	16,991	23,458	67,845	33,799	49,147	57,857
Accrued wages	3,639	4,481	5,540	12,283	12,734	(10,172)	12,620	-
Excess tax benefits from share-based compensation	-	-	-	-	-	-	-	-
Prepaid income taxes and income taxes payable	3,448	(8,581)	5,554	372	(8,973)	5,953	5,224	-
Accrued taxes and licenses	2,299	2,634	5,802	(5,700)	8,624	1,889	5,346	-
Other accrued liabilities	5,148	7,569	(3,773)	4,099	20,352	2,147	(7,624)	-
Operating lease right-of-use assets and lease liabilities	-	-	5,826	4,635	5,553	5,268	3,178	-
Deferred rent	6,038	5,938	-	-	-	-	-	-
Other liabilities	8,154	3,612	15,075	38,028	(9,671)	(4,510)	15,753	8,000
Net Cash Provided by Operating Activities	286,373	352,868	374,298	230,438	468,826	511,725	575,650	630,301
Cash Flow from Investing Activities:								
Capex - PPE	(161,628)	(155,980)	(214,340)	(154,401)	(200,692)	(246,121)	(339,759)	(349,468)
Acquisition of franchise restaurants/Proceeds from sale of PPE	(16,528)	(2,165)	(480)	(6,704)	5,588	(17,613)	(31,424)	-
Net Cash Used in Investing Activities	(178,156)	(158,145)	(214,820)	(161,105)	(195,104)	(263,734)	(371,183)	(349,468)
Cash Flow from Financing Activities:								
Proceeds from revolving credit facility	-	-	-	240,000	(140,000)	(50,000)	(50,000)	-
Proceeds from noncontrolling interest contribution	3,457	2,551	-	133	-	-	-	-
Repurchase of shares of common stock	-	-	(139,849)	(12,621)	(51,634)	(212,859)	(33,058)	-
Distributions to noncontrolling interest holders	(5,171)	(5,746)	(6,357)	(3,432)	(8,206)	(7,775)	(4,127)	-
Proceeds from noncontrolling interest holders and other	-	(122)	(743)	-	-	(1,735)	-	-
Excess tax benefits from share-based compensation	-	-	-	-	-	-	-	-
Proceeds from stock options & other deposits	740	418	62	(823)	602	307	356	-
Indirect repurchase of shares for min tax withholdings	(11,639)	(14,067)	(12,471)	(11,684)	(17,628)	(13,576)	(8,239)	-
Principal payments on LT debt and capital lease obligation	(558)	(50,000)	-	-	-	-	-	-
Proceeds from exercise of stock options	1,558	-	-	-	-	-	-	-
Dividends paid to shareholders	(58,154)	(68,550)	(102,366)	(24,989)	(83,658)	(124,137)	(147,100)	(160,150)
Other	(476)	-	-	(641)	(708)	-	-	-
Net Cash Provided by Financing Activities	(70,243)	(135,516)	(261,724)	185,943	(301,232)	(409,775)	(242,168)	(160,150)
Net increase (decrease) in cash flows from continuing ops.	37,974	59,207	(102,246)	255,276	(27,510)	(161,784)	(37,701)	120,683
Net cash provided by operating activities - discontinued ops.	-	-	-	-	-	-	-	-
Net cash provided by investing activities - discontinued ops.	-	-	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	37,974	59,207	(102,246)	255,276	(27,510)	(161,784)	(37,701)	120,683
Cash and Equivalents, beginning of period	112,944	150,918	210,125	107,879	363,155	335,645	173,861	136,160
Cash and Equivalents, end of period	150,918	210,125	107,879	363,155	335,645	173,861	136,160	256,843
FCF	124,745	196,888	159,958	76,037	268,134	265,604	235,891	280,833

Source: Company reports and Wedbush Securities estimates.

Valuation

Our PT is based on a 12.1x EV/EBITDA multiple on our 2024 EBITDA estimate, a ~5% premium to TXRH's 5-year pre-COVID median forward EV/EBITDA multiple of 11.5x.

Company Description

Texas Roadhouse, Inc., based out of Louisville, Kentucky, owns, operates and franchises over 700 full-service casual dining restaurants. The restaurants offer a rustic, southern-inspired menu with a wide array of quality food options.

Risks to the Attainment of Our Price Target and Rating:

Risks to attainment of our share price target include unexpected adverse fluctuations in input costs, lower-than-expected sales from openings in new markets, and a general deterioration in economic conditions.

Analyst Certification

We, Nick Setyan, Michael Symington and Matt Quigley, certify that the views expressed in this report accurately reflect our personal opinions and that we have not and will not, directly or indirectly, receive compensation or other payments in connection with our specific recommendations or views contained in this report.

Mentioned Companies

Company	Rating	Price	Target
Texas Roadhouse Inc.	OUTPERFORM	\$94.63	\$110.00

Investment Rating System:

OUTPERFORM: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

NEUTRAL: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

UNDERPERFORM: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe of the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating distribution (as of October 27, 2023)	Investment Banking Relationships (as of October 27, 2023)
OUTPERFORM: 60.84%	OUTPERFORM: 4.21%
NEUTRAL: 37.30%	NEUTRAL: 1.25%
UNDERPERFORM: 1.86%	UNDERPERFORM: 0.00%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

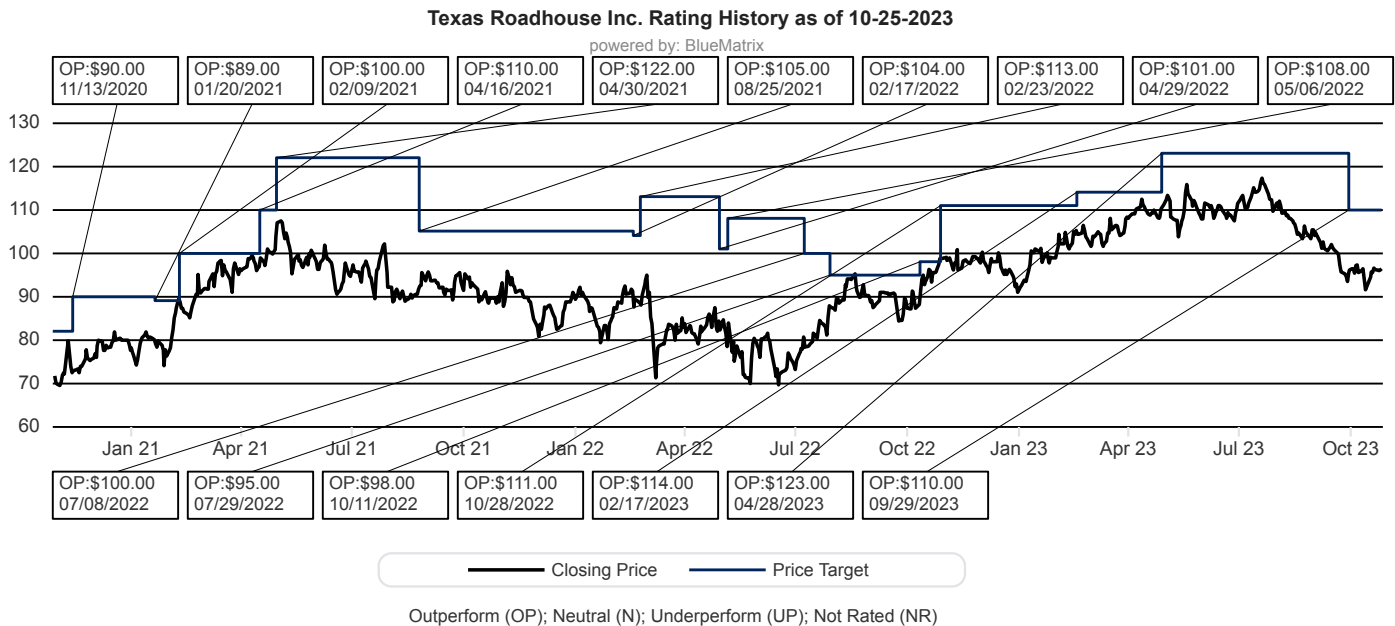
The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

Company Specific Disclosures

This information is subject to change at any time.

1. WS makes a market in the securities of Texas Roadhouse Inc..

Price Charts



Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

Disclosure information regarding historical ratings and price targets is available: [Research Disclosures](#)

*WS changed its rating system from (Strong Buy/ Buy/ Hold/ Sell) to (Outperform/ Neutral/ Underperform) on July 14, 2009.

Applicable disclosure information is also available upon request by contacting the Research Department at (212) 833-1375, by email to leslie.lippai@wedbush.com. You may also submit a written request to the following: Wedbush Securities, Attn: Research Department, 142 W 57th Street, New York, NY 10019.

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