2018 ANNUAL REPORT

LEGENDARY FOOD, LEGENDARY SERVICE®

Legendary Food, Legendary Service® is our mission at Texas Roadhouse.

While easy to remember, it's a lot tougher to execute.

We take this mission very seriously and are committed to excellence in our products, our people, and our guest experience.

Dear Partners,

2018 was another solid year as our Operators once again drove traffic and grew sales. In fact, our fourth quarter of 2018 represented our 36th consecutive quarter of positive comparable restaurant sales growth. To drive and sustain positive sales for the last nine years is a testament to our Operators, who we believe are the best in the industry. I am truly blessed to be their partner.

For the year, we finished with comparable restaurant sales up 5.4% which pushed our average unit volume above $5.2 million. That is $1 million higher than it was just five years ago. Our revenue increased 10.7% to $2.5 billion and diluted earnings per share increased 19.6%.

We also continued to globally expand our restaurant base during 2018. Domestically, we opened 23 Texas Roadhouse restaurants and five Bubba's 33 restaurants. Our franchise partners opened five international restaurants, including the first Texas Roadhouses in Mexico and China. We ended the year with 582 restaurants systemwide in 49 states and nine foreign countries.

In 2018, we increased the bench strength of our Leadership Team with the promotions of Tonya Robinson to Chief Financial Officer and Doug Thompson to Chief Operating Officer. Tonya has 20 years of experience at Texas Roadhouse in a variety of financial roles. Doug has 16 years of experience with Texas Roadhouse, all in operational roles. Both Tonya and Doug bring valuable expertise and long-term vision to our Leadership Team.

We also expanded our Texas Roadhouse Regional Market Partner Team from three to five. We believe that having five smaller regions, rather than three larger regions, allows us to provide better restaurant-level support to our Operators and positions us well for future growth.

Our Board of Directors also experienced a lot of changes. We are excited to have added Curtis Warfield to the Board. Curtis, who is currently the Chief Audit Executive for Anthem Inc., brings additional financial insight and experience to our Board of Directors.

However, we were deeply saddened by the unexpected death of Jim Parker, a member of the Board since we went public in 2004. Jim was a tremendous asset not only to Texas Roadhouse but also to Southwest Airlines, where he served for 18 years including his time as CEO as the successor to Herb Kelleher. Jim provided a steady hand and great guidance over the last 14 years and will be greatly missed by his Texas Roadhouse family.

Finally, in February 2019 our Board of Directors authorized a 20% increase to our quarterly dividend payment, increasing it to $0.30 per share from $0.25 in 2018. This represented our sixth straight year of increasing our dividends by double digits. For the year, we paid $68.6 million in dividends.

Looking ahead to 2019, we plan to open 25 to 30 company restaurants, including as many as four Bubba's 33 restaurants. We expect our franchise partners to open as many as eight restaurants, primarily in international markets, which includes a new location in South Korea at Camp Humphreys that opened in January 2019. We also plan to relocate up to six of our company restaurants in 2019 and will add seating to approximately 15 existing restaurants.

It's hard to believe that we now have more than 60,000 Roadies across the nation. It's the people that deliver legendary food and legendary service each and every day. It's also the people that truly make a difference at Texas Roadhouse.

At our Managing Partners' Conference in San Diego, Dave Eubanks from Mesquite, Texas, was named our 2017 Managing Partner of the Year. Dave has an incredible passion for his team, phenomenal dedication to detail, and a legendary commitment to Texas Roadhouse.

Another standout is our 2017 Roadie of the Year, Adam Pike. As Manager of Operations Support, Adam helped identify cost saving opportunities in our restaurants and implemented solutions to realize those savings. This partnership also made life easier for our Operators.

We are very pleased with the momentum in our business and want to thank our Roadies for their passion for Texas Roadhouse. We also want to thank our shareholders for believing in our long-term vision.

Kent

Keep on rockin'
– W. Kent Taylor
Founder and Chairman, Chief Executive Officer

April 12, 2019

To our Shareholders:

You are cordially invited to attend the 2019 Annual Meeting of Shareholders of Texas Roadhouse, Inc. on Thursday, May 23, 2019. The meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky at 9:00 a.m. eastern daylight time.

The official Notice of Annual Meeting, Proxy Statement and Proxy Card are enclosed with this letter.

Please take the time to read carefully each of the proposals for shareholder action described in the accompanying proxy materials. Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope. Shareholders of record can also vote by touch-tone telephone from the United States, using the toll-free number on the proxy card, or by the Internet, using the instructions on the proxy card. If you attend the meeting, then you may revoke your proxy and vote your shares in person.

Your interest and participation in the affairs of the Company are greatly appreciated. Thank you for your continued support.

Sincerely,

W. Kent Taylor
Chairman, Chief Executive Officer

TEXAS ROADHOUSE, INC.

6040 Dutchmans Lane
Louisville, Kentucky 40205

NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 23, 2019

To the Shareholders:

The 2019 Annual Meeting of Shareholders (the "Annual Meeting") of Texas Roadhouse, Inc. (the "Company") will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 23, 2019 at 9:00 a.m. eastern daylight time.

At the Annual Meeting, you will be asked to:

- elect five directors to the Board of Directors, each for a term of one year;
- ratify the appointment of KPMG LLP as the Company's independent auditors;
- hold an advisory vote on executive compensation; and
- transact such other business as may properly come before the meeting.

A Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice. Only shareholders of record at the close of business on March 25, 2019 are entitled to receive notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

Celia Catlett

Celia P. Catlett
General Counsel and Corporate Secretary

Louisville, Kentucky
April 12, 2019

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE SUBMIT YOUR VOTE USING ONE OF THE VOTING METHODS DESCRIBED IN THE ATTACHED MATERIALS. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2019 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 23, 2019: Our Annual Report containing our Proxy Statement related to our 2019 Annual Meeting of Shareholders and Form 10-K for the fiscal year ended on December 25, 2018 is available on our website at *www.texasroadhouse.com* in the Investors section.

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TEXAS ROADHOUSE, INC.

6040 Dutchmans Lane
Louisville, Kentucky 40205

PROXY STATEMENT

2019 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 23, 2019

This proxy statement and accompanying proxy card are being furnished in connection with the solicitation of proxies by the board of directors (the "Board") of Texas Roadhouse, Inc., a Delaware corporation, to be voted at the 2019 Annual Meeting of Shareholders (the "Annual Meeting") and any adjournments thereof. In this proxy statement, references to the "Company," "we," "us" or "our" refer to Texas Roadhouse, Inc. This proxy statement and accompanying proxy card are first being mailed to shareholders on or about April 12, 2019.

The Annual Meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 23, 2019 at 9:00 a.m. eastern daylight time, for the purposes set forth in this proxy statement and the accompanying notice of the Annual Meeting.

SUMMARY OF MATTERS REQUIRING SHAREHOLDER ACTION

Proposal 1—Election of Directors

The affirmative vote of a plurality of the votes entitled to be cast by the holders of the Company's common stock present in person or represented by proxy is required to elect each nominee. Election by a plurality means that the director nominee with the most votes for the available slot is elected for that slot. You may vote "FOR" each nominee or you may "WITHHOLD AUTHORITY" to vote for each nominee. Unless you "WITHHOLD AUTHORITY" to vote for a nominee, your proxy will be voted "FOR" the election of the individuals nominated as directors.

Our Board has adopted a majority voting policy for uncontested director elections. Under this policy, any nominee who receives fewer "FOR" votes than "WITHHOLD" votes is required to offer his or her resignation. Our nominating and corporate governance committee would then consider the offer of resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer.

The Board recommends that you vote "FOR" the nominees.

Proposal 2—Ratification of Independent Auditors

The proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2019 must be approved by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote "FOR" or "AGAINST" the ratification, or you may "ABSTAIN" from voting on this proposal. A vote to "ABSTAIN" will have the same effect as a vote "AGAINST" this proposal.

The Board recommends that you vote "FOR" this proposal.

Proposal 3—Advisory Vote on Approval of Executive Compensation

The outcome of the advisory vote on whether to approve the executive compensation detailed in this proxy statement (including the Compensation Discussion and Analysis, the Executive Compensation section and the other related executive compensation tables and related discussions) will be determined by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote “FOR” or “AGAINST” approval of the executive compensation, or you may “ABSTAIN” from voting on this proposal. A vote to “ABSTAIN” will have the same effect as a vote “AGAINST” approval of the executive compensation.

The Board recommends that you vote “FOR” this proposal.

Other Matters

As of the date of this proxy statement, the Board knows of no matters that will be presented for consideration at the Annual Meeting other than those matters discussed in this proxy statement. If any other matters should properly come before the Annual Meeting and call for a vote of shareholders, validly executed proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders. Any such additional matter must be approved by an affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote at the Annual Meeting.

INFORMATION ABOUT PROXIES AND VOTING

Record Date and Voting Securities

The Board has fixed the record date (the "Record Date") for the Annual Meeting as the close of business on March 25, 2019. Only shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting and at any adjournment or postponement thereof. At the close of business on the Record Date, there were outstanding 71,827,836 shares of common stock, each of which is entitled to one vote per share on all matters to be considered at the Annual Meeting.

The presence in person or by proxy of the holders of a majority of the shares of common stock will constitute a quorum for the transaction of business at the Annual Meeting. Shares of common stock represented by properly executed proxies received before the close of voting at the Annual Meeting will be voted as directed by such shareholders, unless revoked as described below.

Revocability of Proxies

A shareholder who completes and returns the proxy card that accompanies this proxy statement may revoke that proxy at any time before the closing of the polls at the Annual Meeting. A shareholder may revoke a proxy by voting at a later date by one of the methods described on the proxy card or by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, the Corporate Secretary of the Company at the Company's main office address at any time before the Annual Meeting. Shareholders may also revoke proxies by delivering a duly executed proxy bearing a later date to the inspector of election at the Annual Meeting before the close of voting or by attending the Annual Meeting and voting in person. You may attend the Annual Meeting even though you have executed a proxy, but your presence at the Annual Meeting will not automatically revoke your proxy.

Solicitation of Proxies

The cost of solicitation of proxies being solicited on behalf of the Board will be borne by us. In addition to solicitation by mail, proxies may be solicited personally, by telephone or other means by our directors, officers or employees, who receive no additional compensation for these solicitation activities. We will, upon request, reimburse brokerage houses and persons holding common stock in the names of their nominees for their reasonable out-of-pocket expenses in sending materials to their principals.

Other Voting Considerations

Broker Non-Votes

Under rules of the New York Stock Exchange, matters subject to shareholder vote are classified as "routine" or "non-routine." In the case of routine matters, brokers may vote shares held in "street name" in their discretion if they have not received voting instructions from the beneficial owner. In the case of non-routine matters, brokers may not vote shares unless they have received voting instructions from the beneficial owner ("broker non-votes"); therefore, it is important that you complete and return your proxy early so that your vote may be recorded.

The election of directors (Proposal 1) is a non-routine matter under the applicable rules so broker non-votes may occur. However, broker non-votes do not count as shares entitled to vote. Because the election is decided by a plurality of shares present (in person or by proxy) and entitled to vote at the Annual Meeting, and because our majority voting policy for directors only considers "FOR" votes and "WITHHOLD" votes, any broker non-votes will not affect the outcome of this proposal.

The ratification of the appointment of the Company's independent auditors (Proposal 2) is a routine matter under the applicable rules so broker non-votes should not occur. In addition, because this matter is routine and brokers may vote as stated above, the number of votes cast, plus the number of abstentions, on Proposal 2 will be used to establish whether a quorum is present.

The advisory vote on the approval of executive compensation (Proposal 3) and any other matters that may properly come before the Annual Meeting are also non-routine matters under the applicable rules so broker non-votes may occur. Because broker non-votes do not count as shares entitled to vote, they do not affect the outcome of the vote on Proposal 3.

Abstentions

Abstentions will be counted for purposes of calculating whether a quorum is present. The effect of an abstention on each proposal where "ABSTAIN" is a voting choice is discussed above.

Executed but Unmarked Proxies

If no instructions are given, shares represented by properly executed but unmarked proxies will be voted in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

CORPORATE GOVERNANCE AND OUR BOARD

Director Biographies

Gregory N. Moore. Mr. Moore, 69, served as the Senior Vice President and Controller of Yum! Brands, Inc. until he retired in 2005. Yum! Brands is the worldwide parent company of Taco Bell, KFC and Pizza Hut. Prior to becoming Yum! Brands' Controller, Mr. Moore was the Vice President and General Auditor of Yum! Brands. Before that, he was with PepsiCo, Inc. and held the position of Vice President, Controller of Taco Bell and Controller of PepsiCo Wines & Spirits International, a division of PepsiCola International. Before joining PepsiCo, he was an Audit Manager with Arthur Young & Company in its New York, New York and Stamford, Connecticut offices. Mr. Moore is a certified public accountant in the States of New York and California. In July 2011, Mr. Moore joined the board of Newegg, Inc., a privately held on-line retailer specializing in computer and computer-related equipment, and serves as the chair of the audit committee and as a member of their compensation committee. Mr. Moore also serves on the board of EF&TRH Restaurants (HK) Holding Limited, a Texas Roadhouse, Inc. joint venture in China. Mr. Moore has served as a director since 2005 and is being nominated as a director because of his extensive financial and accounting experience in the restaurant industry. As a result of these and other professional experiences, Mr. Moore possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

W. Kent Taylor. Mr. Taylor, 63, is our founder, Chairman, and Chief Executive Officer, a position he resumed in August 2011. Mr. Taylor previously served as Chief Executive Officer from 2000 until 2004, at which time Mr. Taylor became Chairman of the Company, an executive position. Before his founding of our concept in 1993, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor previously served on the Board of Directors of Papa John's International, Inc. from 2011 until 2018. Mr. Taylor has served as a director since 2004 and is being nominated as a director because of his chief executive experience, his knowledge of the restaurant industry and his intimate knowledge of the Company as its founder. As a result of these and other professional experiences, Mr. Taylor possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

Curtis A. Warfield. Mr. Warfield, 50, is a certified public accountant and is currently serving as the Chief Audit Executive for Anthem, the nation's second largest health insurer, a position he has held since 2017. From 2016 to present, Mr. Warfield has also served as President and Chief Executive Officer of Windham Advisors LLC, a management and strategic advisory firm that offers innovative business solutions for companies in the healthcare, BPO (business process outsourcing) and insurance industries. He served as a senior executive at HCA, the largest healthcare provider in the country, from 1997 to 2016 in a variety of roles. He began as the Chief Financial Officer of the Columbia Healthcare Network with a majority of his tenure serving as the Chief Executive Officer of NPAS, a healthcare services company. Mr. Warfield has served as a director since August 2018 and is being nominated as a director because of his extensive financial and accounting experience, his executive management experience, and his information technology experience. As a result of these and other professional experiences, Mr. Warfield possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

Kathleen M. Widmer. Ms. Widmer, 57, is the Company Group Chairman for Consumer North America with Johnson & Johnson, a position she has held since December 2018. Prior to this position, she served as the President of the Johnson & Johnson Consumer OTC division, which provides healthcare solutions through well-known and trusted over the counter medicines and products, a position she held from August 2015. She was previously with Johnson & Johnson for 21 years, until 2009, where she held numerous positions, including serving as Vice President, Marketing, McNeil Consumer Healthcare. Prior to re-joining Johnson & Johnson, she served as Executive Vice President and Chief Marketing Officer at Elizabeth Arden, Inc. from 2009 to 2015, and was responsible for the global growth strategy and marketing execution of the Elizabeth Arden Brand. In 2017, she was appointed to the board of directors for the Wounded Warrior Project. She is a graduate of the U.S. Military Academy in West Point, N.Y. and served for five years as a U.S. Army officer. Ms. Widmer has served as a director since 2013 and is being nominated as a director because of her extensive marketing experience in the retail sector and her knowledge of the global retail industry. As a result of these and other professional experiences, Ms. Widmer possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

James R. Zarley. Mr. Zarley, 74, has served as chairman, chief executive officer and chairman of the board of Conversant, a single-source provider of media, technology and services across major interactive marketing channels which previously operated under the name ValueClick, Inc., and was a member of Conversant's board of directors from 1999 until his retirement in 2014. Mr. Zarley shaped the company into a global leader in online marketing solutions. Prior to joining Conversant, Mr. Zarley was chief operating officer of Hiway Technologies, where he was a leading member of the management team that closed the merger with Verio in 1999. Prior to that, Mr. Zarley was chairman and chief executive officer of Best Internet until it merged with Hiway Technologies in 1998. Mr. Zarley also founded and later sold Quantech Information Services, now an ADP company. In addition, he spent 19 years at RCA in various senior management roles. Currently, he serves on the board of directors of several private companies. Mr. Zarley has served as a director since 2004 and is being nominated as a director because of his chief executive experience in a developing industry, his information technology experience and his experience in acquisitions. As a result of these and other professional experiences, Mr. Zarley possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

Meetings of the Board

The Board met on six occasions and its standing committees (audit committee, compensation committee, and nominating and corporate governance committee) met on 23 occasions during our fiscal year ended December 25, 2018. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his or her period of service. In addition, the Company expects all members of the Board to attend the Annual Meeting. All incumbent directors attended the 2018 annual meeting. Four regular Board meetings are currently scheduled for the 2019 fiscal year. Executive sessions of non-employee directors, without management directors or employees present, are typically scheduled in conjunction with each regularly scheduled Board meeting. The role of each standing committee is more fully discussed below.

Leadership Structure of the Board and Role of the Board in Risk Oversight

The Board currently includes four independent directors and one employee director, and the positions of Chairman and Chief Executive Officer are occupied by the same individual. As noted above, Mr. Taylor was named Chairman of the Board in recognition of his founding and continuing leadership role in the Company and has held that position since 2004. Mr. Taylor also resumed the position of Chief Executive Officer in August 2011. Mr. Taylor previously served as Chief Executive Officer from 2000 until 2004. We believe that the Company and its shareholders are best served by having Mr. Taylor serve in both positions because he is the person most familiar with our unique culture, business model, and the challenges we face in the current macro-economic environment. Mr. Taylor's wealth of knowledge regarding Company operations and the industry in which we compete positions him to best identify matters for Board review and deliberation. Additionally, the combined role of Chairman and Chief Executive Officer unifies the Board with management and eliminates conflict between two leaders. We believe that the Company can more effectively execute its current strategy and business plans to maximize shareholder value if our Chairman is also a member of the management team.

While the Board considers all of its members equally responsible and accountable for oversight and guidance of its activities, they also have designated a Lead Independent director, who is elected annually by a majority of the Board. Mr. Moore currently serves as the Lead Independent director. The responsibility and authority of the Lead Independent director are delineated in our Corporate Governance Guidelines, which can be found on the Company's website at *www.texasroadhouse.com*.

The Board is responsible for overseeing the Company's risk management strategies, including the Company's implementation of appropriate processes to administer day-to-day risk management. The Board is informed about risk management matters as part of its role in the general oversight and approval of corporate matters. The Board gives clear guidance to the Company's management on the risks it believes face the Company, such as the matters disclosed as risk factors in the Company's Annual Report on Form 10-K. Furthermore, the Board has delegated certain risk management responsibilities to its audit and compensation committees.

Through the audit committee's charter, the Board has authorized the audit committee to oversee the Company's risk assessment and risk management policies. The audit committee, in fulfilling its oversight responsibilities, regularly and comprehensively reviews specific risk matters which have been identified by management. The Company's internal auditors regularly report directly to the audit committee on the results of internal audits, the scope and frequency of which are based on comprehensive risk assessments which have been approved by the audit committee. Additionally, a risk committee comprised of Company management regularly updates the audit committee on the results of its risk management activities, which are based on the Company's prioritized risk overview that is updated at least annually and reviewed with the audit committee. The audit committee is routinely advised of operational, financial, legal, and cybersecurity risks both during and outside of regularly scheduled meetings, and the audit committee reviews and monitors specific activities to manage these risks, such as insurance plans, hedging strategies and internal controls.

Through the compensation committee's charter, the Board has authorized the compensation committee to oversee the compensation programs for the Company's executive officers and non-employee directors on the Board. The compensation committee, in fulfilling its oversight responsibilities, designs the compensation packages applicable to the Company's executive officers and Board members. The compensation committee also consults with management on the payments of bonuses and grants of stock awards to key employees.

The audit committee and the compensation committee jointly perform an annual risk assessment of our compensation programs for all employees to determine whether these programs encourage unnecessary or excessive risk taking. In conducting this review, each of our compensation programs is evaluated on a number of criteria aimed at identifying any incentive programs that deviate from our risk management objectives. Based on this review in 2018, both the audit committee and the compensation committee concluded that we have the right combination of rewards and incentives to drive company performance, without encouraging unnecessary or excessive risk taking by our employees. Specifically, the audit and compensation committees identified the following components of our compensation programs that mitigate the likelihood of excessive risk taking to meet performance targets: equity incentive compensation in the form of restricted stock units; long term contracts and a financial buy-in requirement for restaurant management; a guaranteed base salary within our support center management personnel; minimums and maximums on profit sharing compensation within our support center management personnel; robust internal controls; operational focus on top line sales growth; and, a business model which focuses on a strong balance sheet, relatively low debt, prudent growth, and sustainable long-term profitability.

The Board's oversight roles, including the roles of the audit committee and the compensation committee, combined with the leadership structure of the Board to include Company management, allow the Board to effectively administer risk management policies while also effectively and efficiently addressing Company objectives.

Committees of the Board

The Board has three standing committees: the audit committee, the compensation committee, and the nominating and corporate governance committee. The Board has adopted a written charter for each of these committees, which sets out the functions and responsibilities of each committee. The charters of these committees are available in their entirety on the Company's website, *www.texasroadhouse.com*. Please note, however, that the information contained on the website is not incorporated by reference in, nor considered to be a part of, this proxy statement. The Board has also designated one of its members as an international liaison, responsible for overseeing the Company's efforts in international expansion and reporting to the Board on those efforts.

Audit Committee. As described in its charter, the primary purpose of the audit committee is to assist the Board in fulfilling its oversight responsibility relating to: (i) the integrity of the Company's consolidated financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and performance of the Company's internal and external auditors, and (iv) the Company's internal controls and financial reporting practices. The audit committee is also directly responsible for the following: (a) pre-approving all audit and permitted non-audit related services provided by our independent auditors, (b) the appointment, compensation, retention, and oversight of the Company's independent auditors, and (c) periodically evaluating whether or not the Company should rotate the independent auditors utilized by the Company. In connection with the audit committee's appointment of the Company's independent auditors, the audit committee evaluates the service level of the incumbent independent auditor on an annual basis, which includes criteria such as prior year quality of service, industry and technical expertise, independence, resource availability, and reasonableness and competitiveness of fees, as well as solicits the input of key management employees during its evaluation. The audit committee reviews all of the Company's earnings press releases and Quarterly and Annual Reports on Form 10-Q and Form 10-K, respectively, prior to filing with the Securities and Exchange Commission (the "SEC"). The audit committee is also responsible for producing an annual report on its activities for inclusion in this proxy statement. All of the members of the audit committee are "independent," as that term is defined in the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the SEC. The audit committee is currently comprised of Messrs. Moore, Warfield, and Zarley. Mr. Moore chairs the audit committee. The Board evaluated the credentials of and designated Messrs. Moore and Warfield as audit committee financial experts. The audit committee met 13 times during fiscal year 2018, which were comprised of five regular meetings of the audit committee, and two meetings per quarter relating to the audit committee's review of the Company's filings with the SEC, one of which such meetings combined content for a regular meeting of the audit committee and the audit committee's review of the Company's filings with the SEC.

Compensation Committee. As described in its charter, the compensation committee: (i) assists the Board in fulfilling its responsibilities relating to the design, administration and oversight of employee compensation programs and benefit plans of the Company's executive officers, (ii) discharges the Board's duties relating to the compensation of the Company's executive officers and non-employee directors, and (iii) reviews the performance of the Company's executive officers. The compensation committee is also responsible for reviewing and discussing with management the "Compensation Discussion and Analysis" in this proxy statement and recommending its inclusion in this proxy statement to the Board. All of the members of the compensation committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The current members of the compensation committee are Ms. Widmer and Messrs. Moore, Warfield, and Zarley. Mr. Zarley currently chairs the compensation committee but James Parker previously chaired the compensation committee until his death in January 2019, Mr. Parker satisfied the independence standard set forth above. The compensation committee met six times during fiscal year 2018, which were comprised of four regular meetings of the compensation committee and two special meetings to discuss compensation for the Company's non-employee directors and Named Executive Officers.

Nominating and Corporate Governance Committee. As described in its charter, the nominating and corporate governance committee assists the Board in: (i) identifying individuals qualified to become Board members and recommending nominees to the Board either to be presented at the annual meeting or to fill any vacancies, (ii) considering and reporting periodically to the Board on matters relating to the identification, selection and qualification of director candidates, (iii) developing and recommending to the Board a set of corporate governance principles, and (iv) overseeing the evaluation of the Board, its committees, and its incumbent members. The nominating and corporate governance committee routinely evaluates the size and composition of the Board and the variety of professional expertise represented by the Board members in relation to the Company's business. All of the members of the nominating and corporate governance committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The current members of the nominating and corporate governance committee are Ms. Widmer and Messrs. Moore, Warfield, and Zarley. Mr. Moore chairs the nominating and corporate governance committee. The nominating and corporate governance committee met four times during fiscal year 2018.

Policy Regarding Consideration of Candidates for Director

Shareholder recommendations for Board membership should include, at a minimum, the name of the candidate, age, contact information, present principal occupation or employment, qualifications and skills, background, last five years' employment and business experience, a description of current or previous service as director of any corporation or organization, other relevant biographical information, and the nominee's consent to service on the Board. A shareholder nominee will be requested to complete a detailed questionnaire in the form that current non-employee directors and executive officers of the Company complete.

The nominating and corporate governance committee may consider such other factors as it may deem are in the best interest of the Company and its shareholders. The Board has adopted corporate governance guidelines which provide that, if and when the Board determines that it is necessary or desirable to add or replace a director, the nominating and corporate governance committee will seek diverse candidates, taking into account diversity in all respects (including gender, race, age, board service, background, education, skill set, and financial acumen, along with knowledge and experience in areas that are relevant to the Company's business), when forming the nominee pool. The nominating and corporate governance committee has reviewed the process used in the selection of director candidates and concluded that the pool contained a diverse group of candidates. The manner in which the nominating and corporate governance committee evaluates a potential nominee will not differ based on whether the nominee is recommended by a shareholder of the Company.

The Company currently retains a corporate recruiter to assist in identifying candidates for open positions at the Company. Upon request, this recruiter also assists in identifying and evaluating candidates for director, but the Company does not pay an additional fee for this service.

On August 22, 2018, the nominating and corporate governance committee recommended to the Board that the number of directors be increased by one and that Mr. Warfield be appointed to the Board as an independent director; the Board approved this recommendation. Mr. Warfield was referred to the nominating and corporate governance committee by a Louisville-based business professional organization; various members of management were also familiar with Mr. Warfield from his work in the local community.

Following his initial referral for service as a director, Mr. Warfield met extensively with management of the Company, our corporate recruiter and our existing members of the Board prior to the nominating and corporate governance committee's decision to recommend his appointment. Mr. Warfield was nominated as a director because of his extensive financial and accounting experience, his executive management experience, and his information technology experience.

Compensation of Directors

As further discussed in the "Compensation Discussion and Analysis," the compensation committee engaged Willis Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on the compensation for our executive officers and non-employee directors. Specifically, the compensation committee asked the compensation consultant to provide market data, review the design of the compensation packages for our executive officers and non-employee directors, and provide recommendations on cash and equity compensation for our executive officers and non-employee directors, including, without limitation, the issuance of restricted stock units to our non-employee directors and executive officers as more particularly described in this proxy statement. Similar to our compensation philosophy for our executive officers, we believe that issuing restricted stock units to our non-employee directors aligns their interests with those of our shareholders. Specifically, since the bulk of each non-employee director's compensation lies in the value of the restricted stock units granted, the non-employee directors are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units. Moreover, we believe that the restricted stock unit awards drive director alignment with maximizing shareholder value because the value of the restricted stock units varies in response to investor sentiment regarding overall Company performance at the time of vesting.

As described more fully below, the following table summarizes the total compensation earned for fiscal year 2018 for each of the non-employee directors.

2018 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Grant Date Fair Value of Stock Awards ($)(1)	Total ($)
Gregory N. Moore	112,500(2)	318,528(i)	431,028
James F. Parker(3)	59,500(4)	270,180(ii)	329,680
Curtis A. Warfield	18,967(5)	111,554	130,521
Kathleen M. Widmer	45,000	253,116(iii)	298,116
James R. Zarley	49,500	261,648(iv)	311,148

(1) In 2018, the non-employee directors other than Mr. Warfield were granted the following restricted stock units, each of which vest over a one year period and were outstanding on December 25, 2018: (i) each director received a grant of 4,250 restricted stock units; (ii) the Lead Independent director for the Board received a grant of 500 restricted stock units; (iii) the chairperson of the audit committee received a grant of 350 restricted stock units; (iv) the chairperson of the compensation committee received a grant of 150 restricted stock units; (v) the chairperson of the nominating and corporate governance committee received a grant of 150 restricted stock units; (vi) each director serving on the audit committee received a grant of 150 restricted stock units; (vii) each director serving on the compensation committee received a grant of 100 restricted stock units; and (viii) each director serving on the nominating and corporate governance committee received a grant of 100 restricted stock units.

As more particularly described above, Mr. Warfield was appointed to the Board on August 22, 2018 as an independent director and was granted the following restricted stock units for his partial year service, each of which vest concurrently with the restricted stock units granted to the other non-employee directors described in the immediately preceding paragraph: (i) a grant of 1,537 restricted stock units; (ii) a grant of 54 restricted stock units for his service on the audit committee; (iii) a grant of 36 restricted stock units for his service on the compensation committee; and (iv) a grant of 36 restricted stock units for his service on the nominating and corporate governance committee.

For the restricted stock units described in this footnote (1), fair value is equal to the closing price of the Company's common stock on the trading day immediately preceding the date of the grant, which was $56.88 for the grants to Ms. Widmer and Messrs. Moore, Parker, and Zarley and $67.08 for the grant to Mr. Warfield. The amounts listed above represent the grant date fair value determined in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718 of restricted stock units granted under the Company's 2013 Long-Term Incentive Plan. Detailed assumptions under FASB ASC Topic 718 are set forth in Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2018. No other equity awards were granted to the non-employee directors during the period of time covered by this table nor were outstanding at the end of the 2018 fiscal year. The Company cautions that the amounts reported in the Director Compensation Table for these awards may not represent the amounts that the non-employee directors will actually realize from the awards. Whether, and to what extent, a non-employee director realizes value will depend on fluctuation in the Company's stock price and the non-employee director's continued service on the Board.

Additionally, certain non-employee directors of the Company were initially granted the aggregate number of restricted stock units set forth below on January 5, 2018 for their Board and committee service but subsequently waived a portion of the initial award, as follows:

(i) Mr. Moore was initially granted 6,650 restricted stock units but waived 1,050 restricted stock units in April 2018. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" reflect the grant date value of the restricted stock units retained by Mr. Moore following such waiver of restricted stock units.

(ii) Mr. Parker was initially granted 5,850 restricted stock units but waived 1,100 restricted stock units in April 2018. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" reflect the grant date value of the restricted stock units retained by Mr. Parker following such waiver of restricted stock units.

(iii) Ms. Widmer was initially granted 4,850 restricted stock units but waived 400 restricted stock units in April 2018. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" reflect the grant date value of the restricted stock units retained by Ms. Widmer following such waiver of restricted stock units.

(iv) Mr. Zarley was initially granted 5,350 restricted stock units but waived 750 restricted stock units in April 2018. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" reflect the grant date value of the restricted stock units retained by Mr. Zarley following such waiver of restricted stock units.

Further, in January 2018, the compensation committee agreed that beginning with the 2018 fiscal year, the total compensation for any non-employee director may not exceed $500,000, which amount shall be calculated by adding (i) the total cash compensation to be paid for services rendered by a non-employee director in any given fiscal year to (ii) the grant date value of any restricted stock units granted to such non-employee director in that fiscal year.

(2) This amount includes a $20,000 annual fee for serving as the Lead Independent director, a $20,000 annual fee for serving as the chairperson of the audit committee, and a $20,000 annual fee for serving as the international liaison.

(3) Mr. Parker passed away on January 26, 2019. All of the amounts listed in the table above reflect compensation relating to Mr. Parker's 2018 year service.

(4) This amount includes a $10,000 annual fee for serving as the chairperson of the compensation committee.

(5) On August 22, 2018, Mr. Warfield, an independent director, was appointed to the Board. This amount reflects amounts earned by Mr. Warfield for his partial 2018 fiscal year service.

Non-employee directors each received a fee of $25,000 for their 2018 fiscal year service except Mr. Warfield, who received a prorated amount of such fee relating to his partial year service. In addition and for their 2018 fiscal year service, the Lead Independent director received a fee of $20,000, the chairperson of the audit committee received a fee of $20,000, the chairperson of the compensation committee received a fee of $10,000, and the international liaison received a fee of $20,000. Each non-employee director received $2,000 for each Board meeting he or she attended in person and $500 for each Board meeting he or she participated in telephonically. Additionally, each non-employee director received $1,000 for each committee meeting he or she attended in person and $500 for each committee meeting he or she participated in telephonically.

Code of Conduct

The Board has approved and adopted a Code of Conduct that applies to all directors, officers and employees, including the Company's principal executive officer and the principal financial officer. The Code of Conduct is available in its entirety on the Company's website, *www.texasroadhouse.com*. The Company intends to post amendments to, or waivers from, its Code of Conduct, if any, that apply to the principal executive officer and the principal financial officer on its website.

Stock Ownership Guidelines

Our Board has adopted stock ownership guidelines to further align the financial interests of the Company's executive officers and non-employee directors with the interests of our shareholders. The guidelines provide that our Chief Executive Officer should own, at a minimum, the lesser of 100,000 shares or $2,500,000 in then-current market value, our President should own, at a minimum, the lesser of 40,000 shares or $1,000,000 in then-current market value, and our other executive officers and non-employee directors should own, at a minimum, the lesser of 10,000 shares or $500,000 in then-current market value. The executive officers and non-employee directors are expected to achieve the stock ownership levels under these guidelines within five years of assuming their respective positions.

All executive officers and non-employee directors who have been in their role for five years are in compliance with the guidelines. We anticipate that any people who are new to their roles within the last five years will, to the extent they are not currently in compliance, be in compliance with the guidelines within the required time frame.

STOCK OWNERSHIP INFORMATION

The following table sets forth as of March 1, 2019 certain information with respect to the beneficial ownership of the Company's common stock of (i) each executive officer named in the Summary Compensation Table (the "Named Executive Officers"), (ii) each non-employee director or nominee for director of the Company, (iii) all directors and current executive officers as a group, and (iv) each shareholder known by the Company to be the owner of 5% or more of the Company's common stock.

	Common Stock(1)	
Name	**Common Stock Ownership(2)**	**Percent**
Directors, Nominees and Named Executive Officers:		
W. Kent Taylor(3)	3,829,098	5.33%
Scott M. Colosi	58,202	*
Celia P. Catlett	19,170	*
S. Chris Jacobsen	23,697	*
Gregory N. Moore	93,250	*
Tonya R. Robinson	2,063	*
Doug W. Thompson	51,530	*
Curtis A. Warfield	1,663	*
Kathleen M. Widmer	15,400	*
James R. Zarley	136,900	*
Directors and All Executive Officers as a Group (10 Persons)	4,230,973	5.89%
Other 5% Beneficial Owners**		
Capital Research Global Investors(4) 333 South Hope Street Los Angeles, California 90071	5,440,654	7.6%
Blackrock, Inc.(5) 55 East 52nd Street New York, New York 10022	8,190,281	11.4%
The Vanguard Group(6) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	6,201,327	8.66%

* Represents beneficial ownership of less than 1.0% of the outstanding shares of class.

** This information is based on stock ownership reports on Schedule 13G filed by each of these shareholders with the SEC as of March 1, 2019.

(1) Based upon information furnished to the Company by the named persons and information contained in filings with the SEC. Under the rules of the SEC, a person is deemed to beneficially own shares over which the person has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days, and such shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. However, we do not consider shares of which beneficial ownership can be acquired within 60 days to be outstanding when we calculate the percentage ownership of any other person. "Common Stock Ownership" includes (a) stock held in joint tenancy, (b) stock owned as tenants in common, (c) stock owned or held by spouse or other members of the reporting person's household, and (d) stock in which the reporting person either has or shares voting and/or investment power, even though the reporting person disclaims any beneficial interest in such stock.

(2) The following table lists the shares to which each named person has the right to acquire beneficial ownership within 60 days of March 1, 2019 through the vesting of restricted stock units granted pursuant to our long-term incentive plan; these shares are included in the totals above as described in footnote (1):

Name	Shares which may be acquired within 60 days pursuant to stock awards
W. Kent Taylor	—
Scott M. Colosi	—
Celia P. Catlett	—
S. Chris Jacobsen	—
Gregory N. Moore	—
Tonya R. Robinson	—
Doug W. Thompson	—
Curtis A. Warfield	—
Kathleen M. Widmer	—
James R. Zarley	—
Directors and All Executive Officers as a Group (10 Persons)	—

(3) Mr. Taylor's address is c/o Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.

(4) As reported on the Schedule 13G/A filed by Capital Research Group Investors with the SEC on February 13, 2019, it has sole voting and dispositive power with respect to these shares.

(5) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on January 31, 2019, it has sole voting power with respect to 7,926,723 shares and sole dispositive power with respect to 8,190,281 shares.

(6) As reported on the Schedule 13G/A filed by The Vanguard Group with the SEC on February 11, 2019, it has sole voting power with respect to 139,982 shares, sole dispositive power with respect to 6,059,718 shares, and shared dispositive power with respect to 141,609 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all reports were filed on a timely basis during the fiscal year ended December 25, 2018.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company's compensation committee reviews and establishes executive compensation in connection with each executive officer's employment agreement. We entered into new employment agreements with W. Kent Taylor, Scott M. Colosi, Celia P. Catlett, and S. Chris Jacobsen, each a Named Executive Officer, on December 26, 2017, each of which has an effective date of January 8, 2018 and expires on January 7, 2021. We entered into an employment agreement with Tonya R. Robinson, also a Named Executive Officer, on June 11, 2018 and having an effective date of May 18, 2018, and with Doug W. Thompson, also a Named Executive Officer, on August 23, 2018, each of which expires on January 7, 2021. In connection with Ms. Robinson's appointment to Chief Financial Officer, the Company and Mr. Colosi entered into an amendment to his 2018 Employment Agreement on May 17, 2018 to reflect his resignation as Chief Financial Officer of the Company while still remaining as President of the Company. As used herein, the employment agreements, as amended (as and if applicable), with Messrs. Taylor, Colosi, Jacobsen, and Thompson and Mss. Catlett and Robinson shall be referred to collectively as the "2018 Employment Agreements" and with respect to any Named Executive Officer, as a "2018 Employment Agreement".

To assist in setting compensation under the 2018 Employment Agreements and pursuant to the authority granted under its charter, the compensation committee engaged Willis Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on compensation for the executive officers and the non-employee directors, together with analysis and services related to such executive and director compensation. Specifically, the compensation committee asked the consultant to provide market data, review the design of the executive and director compensation packages, and provide recommendations on cash and equity compensation for the Company's executive officers and the non-employee directors. Willis Towers Watson does not currently provide any other services to the Company, and the compensation committee has determined that Willis Towers Watson has sufficient independence from us and our executive officers to allow it to offer objective information and advice. All fees paid to Willis Towers Watson during fiscal year 2017 were in connection with their engagement by the compensation committee for the above services.

Each 2018 Employment Agreement establishes a base salary throughout the term of the agreement, and a cash incentive bonus amount based on the achievement of defined goals to be established by the compensation committee. In addition to cash compensation, the 2018 Employment Agreements also provide the compensation committee with an opportunity to make annual stock awards to the Named Executive Officers, the types and amounts of which are subject to the compensation committee's discretion based on their annual review of the performance of the Company and of the individual Named Executive Officers. The types of stock awards contemplated by the 2018 Employment Agreements are (i) restricted stock units, which grant the Named Executive Officers the conditional right to receive shares of our common stock that vest after a defined period of service, (ii) "retention" restricted stock units, which vest upon the completion of the term of an individual Named Executive Officer's agreement or such longer date as determined by the compensation committee, and (iii) performance stock units, which are calculated based on the achievement of certain Company performance targets established by the compensation committee and vest over a period of service. As of the date of this proxy statement and as more particularly described below, each Named Executive Officer has received an annual grant of restricted stock units relating to their 2018 year service (which were granted in 2017 or 2018 [as applicable]) and their 2019 year service (which were granted in 2019). Additionally, each of Messrs. Taylor, Colosi, Jacobsen, and Thompson have received grants of performance stock units relating to their 2018 and/or 2019 year service (as applicable). Moreover, each of Messrs. Colosi, Jacobsen, and Thompson and Mss. Catlett and Robinson have received "retention" grants of restricted stock units under their respective 2018 Employment Agreements, which vest upon the completion of the term of the agreement on the condition that the applicable Named Executive Officer is still serving the Company on the vesting date. Finally, Mr. Taylor's 2018 Employment Agreement also provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date.

Under the 2018 Employment Agreements, each Named Executive Officer has agreed not to compete with us during the term of his or her employment and for a period of two years following his or her termination of employment, unless the Named Executive Officer's employment is terminated without cause following a change in control, in which case the Named Executive Officer has agreed not to compete with us through the date of the last payment of the Named Executive Officer's severance payments. Finally, the 2018 Employment Agreements also contain a "clawback" provision that enables the Company to seek reimbursement to the Company of any compensation paid to any Named Executive Officer which is required to be recovered by any law, governmental regulation or order, or stock exchange listing requirement.

The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, a significant amount of the compensation for certain Named Executive Officers is based exclusively on the grant of service based restricted stock units while other Named Executive Officers receive a combination of service based restricted stock units and performance based restricted stock units, with a significant portion of such Named Executive Officer's compensation being tied to the grant of such performance based restricted stock units. By conditioning a significant portion of certain Named Executive Officer's performance based restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our Named Executive Officers more particularly described above, we have created a more direct relationship between compensation and shareholder value. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or performance based restricted stock units. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our Named Executive Officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

We believe that the overall design of the compensation packages, along with the culture and values of our Company, allows us to attract and retain top talent, while also keeping the Named Executive Officers focused on both long-term business development and short-term financial growth.

In deciding to continue and modify many of our existing executive compensation practices, our compensation committee considered that the holders of over 76% of the votes cast at our 2018 annual meeting on an advisory basis approved the compensation of our Named Executive Officers as disclosed in the proxy statement for the 2018 annual meeting. None of the Named Executive Officers, including Mr. Taylor, participated in the creation of their own compensation packages.

Elements of Compensation

Base Salary

Base salaries for our Named Executive Officers are designed to provide a secure base of compensation which will be effective in motivating and retaining key executives.

Each Named Executive Officer's 2018 Employment Agreement establishes an annual salary for the years shown in the table below.

	2018 (through January 7, 2019) ($)	2019 (through January 7, 2020) ($)	2020 (through January 7, 2021) ($)
W. Kent Taylor Chairman, Chief Executive Officer	525,000	525,000	525,000
Scott M. Colosi President(i)	450,000	450,000	450,000
Celia P. Catlett General Counsel, Corporate Secretary	315,000	315,000	325,000
S. Chris Jacobsen Chief Marketing Officer	300,000	315,000	325,000
Tonya R. Robinson Chief Financial Officer	275,000	300,000	—(ii)
Doug W. Thompson Chief Operating Officer	450,000	450,000	—(ii)

(i) As more particularly described above, in connection with Ms. Robinson's appointment to Chief Financial Officer, the Company and Mr. Colosi entered into an amendment to his 2018 Employment Agreement on May 17, 2018 to reflect his resignation as Chief Financial Officer of the Company while still remaining as the President of the Company. Because the compensation committee did not increase Mr. Colosi's compensation when he resumed his role as Chief Financial Officer in 2014, the compensation committee did not reduce his compensation when he resigned the position in 2018.

(ii) As of the date of this proxy statement, the base salary for Ms. Robinson and Mr. Thompson has not yet been established for the period commencing on January 8, 2020 and ending on January 7, 2021.

Incentive Bonus

Incentive bonuses are designed to reward our Named Executive Officers for the success of the Company, as measured by growth in the Company's earnings per diluted share ("EPS") and overall pre-tax profit, and for each Named Executive Officer's individual contribution to that success. It is our belief that a significant amount of each Named Executive Officer's compensation should be tied to the performance of the Company.

Pursuant to the terms of the Texas Roadhouse, Inc. Cash Bonus Plan (the "Cash Bonus Plan"), the compensation committee may award an annual cash incentive to the Named Executive Officers, which is the grant of a right to receive a payment of cash that is subject to targets and maximums, and that is contingent on achievement of performance objectives during the Company's fiscal year. These cash incentives are also subject to the terms and conditions of the 2018 Employment Agreements and reflect each Named Executive Officer's job responsibilities and individual contribution to the success of the Company.

Under the Cash Bonus Plan, the compensation committee established a two-pronged approach to tying the incentive compensation to the Company's performance. Under this approach, 50% of the target incentive bonus is awarded based on whether the Company achieves an annual EPS growth target of 10% (the "EPS Performance Goal"). The other 50% is based on a profit sharing pool (the "Profit Sharing Pool") comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited consolidated financial statements), which pool is distributed among our Named Executive Officers and certain other members of the Company's director-level management based on a pre-determined percentage interest in the pool and subject to certain pre-determined maximum amounts. After the end of the fiscal year, the compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each Named Executive Officer is entitled. Depending on the level of achievement of the EPS Performance Goal each year, 50% of the incentive bonus may be reduced to a minimum of $0 or increased to a maximum of two times the target amount. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target bonus amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the bonus payable would be 110% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the bonus payable would be 90% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. The remaining 50% of the Named Executive Officers' incentive bonus will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. The annual profit sharing component allows the Named Executive Officers to participate in a profit sharing pool with other members of the Company's director-level management team. By allowing this level of participation in the Company's overall profits, the compensation committee encourages responsible growth and aligns the interests of the Named Executive Officers with those of other management employees of the Company. This portion of the incentive bonus may be reduced to a minimum of $0 if the Company ceases to be profitable or for other reasons that the compensation committee determines, and may be increased to a maximum of two times the target amount established for each individual participant. Both portions of the incentive bonus can be adjusted downward (but not upward) by the compensation committee in its discretion. Cash incentive bonuses with respect to fiscal year 2018 were paid at 158.0% of the total target amount for all or a portion of the fiscal year in which a Named Executive Officer served in such role, based on actual EPS growth of 19.6% and a pre-tax profit (Profit Sharing Pool) of $182,482,730 during fiscal year 2018.

The actual amounts earned by each Named Executive Officer for fiscal year 2018 are more fully described in "Executive Compensation." The target bonus amount, along with the minimum and maximum bonus amounts, are set forth below:

Executive Incentive Compensation for Fiscal Year 2018

	Target Bonus ($)	Minimum Bonus ($)	Maximum Bonus ($)
W. Kent Taylor Chairman, Chief Executive Officer	525,000	0	1,050,000
Scott M. Colosi President	350,000	0	700,000
Celia P. Catlett General Counsel, Corporate Secretary	185,000	0	370,000
S. Chris Jacobsen Chief Marketing Officer	200,000	0	400,000
Tonya R. Robinson Chief Financial Officer	120,000	0	240,000
Doug W. Thompson Chief Operating Officer	450,000	0	900,000

Stock Awards

We make equity awards in the form of restricted stock units, which represent the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements. Restricted stock units offer the Named Executive Officers a financial interest in the Company and align their interests with those of our shareholders. We also believe that the market price of our publicly traded common stock represents the most appropriate metric for determining the value of the equity portion of our Named Executive Officers' compensation packages. The overall compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, a significant amount of the compensation for certain Named Executive Officers is based exclusively on the grant of service based restricted stock units while other Named Executive Officers receive a combination of service based restricted stock units and performance based restricted stock units, with a significant portion of such Named Executive Officer's compensation being tied to the grant of such performance based restricted stock units. We believe that the service based restricted stock awards are inherently performance based since their value varies in response to investor sentiment regarding overall Company performance at the time of vesting. Moreover, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or restricted stock units based on the achievement of defined goals to be established by the compensation committee for any and/or all of our Named Executive Officer. Additionally, each 2018 Employment Agreement for Messrs. Colosi, Jacobsen, and Thompson and Mss. Catlett and Robinson provide for a "retention" grant of restricted stock units, which vest upon completion of the term of their

2018 Employment Agreement on the condition that the applicable Named Executive Officer is still serving the Company on the vesting date, and Mr. Taylor's 2018 Employment Agreement provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date.

In addition, the 2018 Employment Agreements for Messrs. Taylor, Colosi, Thompson, and Jacobsen contain bifurcated awards of service based restricted stock units and performance based restricted stock units for all or a portion of the term of their respective 2018 Employment Agreements. For the performance based awards, the compensation committee has established a two-pronged approach which mirrors the approach used for annual cash incentive bonuses. Under this approach, a percentage of the target equity award is based on whether the Company achieves the annual EPS Performance Goal, and a percentage is based on the Profit Sharing Pool comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited financial statements). After the end of the fiscal year, the compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the number of shares awarded would be 110% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the award would be 90% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. The remaining percentage of the Named Executive Officers' equity award will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. Both portions of the performance based equity award may be reduced to a minimum of 0 or increased to a maximum of two times the target amount for each individual participant. Both portions of the performance based equity award can also be adjusted downward (but not upward) by the compensation committee in its discretion. Performance based equity awards with respect to fiscal year 2018 were paid at 158.0% of the total target amount for all or a portion of the fiscal year in which a Named Executive Officer served in such role, based on actual EPS growth of 19.6% and a pre-tax profit (Profit Sharing Pool) of $182,482,730 during fiscal year 2018. For discussion of the percentages assigned by the compensation committee to each component of the performance based equity awards for Messrs. Taylor, Colosi, Jacobsen, and Thompson, refer to the associated tables below.

The number of restricted stock units granted to each Named Executive Officer reflects each Named Executive Officer's job responsibilities and individual contribution to the success of the Company.

Service Based Restricted Stock Units

Except as noted below, the number of service based restricted stock units granted under the 2018 Employment Agreements are shown in the table below and are subject to the Named Executive Officer still serving the Company on the vesting date.

	Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on June 11, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on August 27, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2020 pursuant to the 2018 Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2021 pursuant to 2018 Employment Agreements(1)	Service Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2018 Employment Agreements(2)	Total Service Based Restricted Stock Units granted pursuant to 2018 Employment Agreements
W. Kent Taylor . . . . . . Chairman, Chief Executive Officer	10,000			10,000		75,000	95,000
Scott M. Colosi . . . . . . President	10,000			10,000	15,000		35,000
Celia P. Catlett . . . . . . General Counsel, Corporate Secretary	10,000			10,000	10,000		30,000
S. Chris Jacobsen . . . . . Chief Marketing Officer	(3)			5,000	10,000		15,000
Tonya R. Robinson . . . . Chief Financial Officer		7,000		10,000	10,000		27,000
Doug W. Thompson . . . Chief Operating Officer			2,000	10,000	12,500		24,500

(1) With respect to Messrs. Colosi, Jacobsen, and Thompson and Mss. Catlett and Robinson, this number represents a retention grant of restricted stock units which will vest on January 8, 2021, provided the applicable Named Executive Officer is still serving the Company on the vesting date.

(2) With respect to Mr. Taylor, this number represents a retention grant of restricted stock units which will vest on January 8, 2023 provided Mr. Taylor is still serving the Company on the vesting date.

(3) With respect to Mr. Jacobsen, because Mr. Jacobsen's prior employment agreement included a grant of restricted stock units relating to his 2018 fiscal year service, his 2018 Employment Agreement did not include an initial grant of restricted stock units; provided, however, for his 2018 fiscal year service, Mr. Jacobsen received a grant of 10,000 restricted stock units, together with a retention grant of 5,000 restricted stock units, previously granted under his prior employment agreement.

Performance Based Restricted Stock Units

The number of performance based restricted stock units granted to Messrs. Taylor and Colosi for the 2018 fiscal year under their 2018 Employment Agreement, and the number of shares of common stock which actually vested based on the Company's performance, are shown in the table below:

	Target Number of Performance Based Restricted Stock Units Granted for 2018 pursuant to 2018 Employment Agreements	Minimum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Actual Number of Shares Issued for 2018 following Certification of 2018 Performance Goals(1)
W. Kent Taylor Chairman, Chief Executive Officer	50,000	0	100,000	78,983
Scott M. Colosi President	40,000	0	80,000	63,186

(1) The shares underlying the performance based restricted stock units attributable to the 2018 fiscal year were issued on February 22, 2019. The compensation committee determined that 50% of the performance based restricted stock unit award for the 2018 fiscal year would be based on an EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for the 2018 fiscal year would be based on a pre-tax profit target opportunity equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period.

The number of performance based restricted stock units granted in 2019 to Messrs. Taylor, Colosi, Thompson, and Jacobsen under their respective 2018 Employment Agreements for the 2019 fiscal year is shown in the table below. The actual number of shares that will be issued to each of Messrs. Taylor, Colosi, Thompson, and Jacobsen for fiscal year 2019 based on achievement of the performance goals assigned to these grants by the compensation committee will not be calculated until the first quarter of 2020.

	Target Number of Performance Based Restricted Stock Units vesting on January 8, 2020 pursuant to 2018 Employment Agreements(1)	Minimum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements
W. Kent Taylor	50,000	0	100,000
Scott M. Colosi	40,000	0	80,000
Doug W. Thompson	20,000	0	40,000
S. Chris Jacobsen	7,000	0	14,000

(1) The compensation committee determined that 50% of the performance based restricted stock unit award for 2019 would be based on an EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for 2019 would be based on a pre-tax profit target opportunity equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period.

The performance based restricted stock unit award for Messrs. Taylor, Colosi, Thompson, and Jacobsen with respect to fiscal year 2019 will be certified in the first quarter of 2020.

The 2018 Employment Agreements further provide that the compensation committee may, in its discretion, grant additional performance based restricted stock units to Messrs. Taylor, Colosi, Thompson, and Jacobsen with respect to future performance periods.

Separation and Change in Control Arrangements

Except in the event of a change in control, the 2018 Employment Agreement with Mr. Taylor provides that no severance would be paid to him upon termination of employment, but he would be entitled to receive a gift of a crisp $100 bill if his employment were to be terminated by the Company without cause before the end of the term. The 2018 Employment Agreement for each of Messrs. Colosi, Jacobsen, and Thompson and Mss. Catlett and Robinson provides that, except in the event of a change in control, if the Company terminates their employment without cause before the end of the term and the applicable Named Executive Officer signs a release of all claims against the Company, then the Company will pay a severance payment equal to any bonus for a year already ended (even if not yet paid at termination), plus the Named Executive Officer's base salary for a period of 180 days, and payment of a fixed sum ($175,000 for Mr. Colosi, $100,000 for Mr. Jacobsen, $225,000 for Mr. Thompson, $100,000 for Ms. Catlett, and $100,000 for Ms. Robinson). Similar payments are due to the Named Executive Officers under the 2018 Employment Agreements if employment was or is terminated by reason of death or disability before the end of the term. The Company provides these severance payments to allow for a period of transition and in exchange for a full release of claims against the Company. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the Named Executive Officers in periodic installments in accordance with our normal payroll practices. The fixed sum is paid in a single lump sum, and any bonus component of the severance payments for a performance period that ended before termination is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

The 2018 Employment Agreements also provide that if the Named Executive Officer's employment is terminated other than for cause following a change in control, or if the Named Executive Officer resigns for good reason following a change in control because he or she is required to relocate, and the Company's successor does not agree to be bound by the agreement, or the Named Executive Officer's responsibilities, pay or total benefits are reduced, then in such an event each such Named Executive Officer will receive severance payments in an amount equal to the Named Executive Officer's base salary and incentive bonus through the end of the term of the agreement but not less than one year. In addition, the Named Executive Officer's unvested stock awards, if any, will become vested as of the date of termination. Moreover, with respect to each of the Named Executive Officers under their respective 2018 Employment Agreements, if his or her employment is terminated under such circumstances and the Named Executive Officer has not yet been granted service based restricted stock units or performance based restricted stock units, as applicable under the respective Named Executive Officer's 2018 Employment Agreements, for either or both of the second and third years of his or her employment agreement, the Named Executive Officer will be issued the target number of service based restricted stock units and/or performance based restricted stock units (as applicable) set forth above for each of these years. The payments and acceleration of vesting of the stock awards are contingent upon the Named Executive Officer signing a full release of claims against the Company. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the Named Executive Officers in periodic installments in accordance with our normal payroll practices or in a lump sum at the discretion of the compensation committee and in compliance with Section 409A of the Internal Revenue Code. The bonus component of the severance payments to the Named Executive Officers is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

According to the terms of the 2018 Employment Agreements, a change in control means that one of the following events has taken place: (1) the shareholders of the Company approve (a) a merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, $0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger, or (b) a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution; (2) during any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period; (3) a tender or exchange offer (other than one made by (a) the Company, or (b) Mr. Taylor or any corporation, limited liability company, partnership, or other entity in which Mr. Taylor owns a direct or indirect ownership of 50% or more, or controls 50% or more of the voting power [collectively, the "Taylor Parties"]) is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended [the "Exchange Act"]), directly or indirectly, of securities representing in excess of the greater of at least 20% of the voting power of outstanding securities of the Company or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or (4) any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of 20% of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties. No change of control will be deemed to have occurred for purposes of an individual 2018 Employment Agreement by virtue of any transaction which results in the affected Named Executive Officer, or a group of persons which includes the affected Named Executive Officer, acquiring, directly or indirectly, securities representing 20% or more of the voting power of outstanding securities of the Company.

The estimated amounts that would have been payable to a Named Executive Officer under the 2018 Employment Agreements are more fully described in "Termination, Change of Control and Change of Responsibility Payments."

Compensation Committee Report

The compensation committee has reviewed and discussed the "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the compensation committee recommended to the Board that the "Compensation Discussion and Analysis" be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 25, 2018.

All members of the compensation committee concur in this report.

James R. Zarley, Chair
Gregory N. Moore
Curtis A. Warfield
Kathleen M. Widmer

Summary Compensation Table

The following table sets forth the total compensation earned with respect to the fiscal years 2018, 2017, and 2016 for Mr. Taylor, our Chairman and Chief Executive Officer, Mr. Colosi, our President and former Chief Financial Officer, and Ms. Robinson, our current Chief Financial Officer. It also includes such information for each of our three other most highly compensated executive officers during fiscal year 2018, as and if applicable.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Grant Date Fair Value of Stock Awards ($)(2)(3)	Non-equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)(3)
W. Kent Taylor	2018	525,000	—	—	829,316	8,782	1,363,098
Chairman, Chief	2017	525,000	—	7,314,300	710,240	8,670	8,558,210
Executive Officer	2016	525,000	—	3,389,800	859,342	8,949	4,783,091
Scott M. Colosi	2018	450,000	200	—	552,877	8,782	1,011,859
President, Chief	2017	450,000	200	2,709,000	473,494	8,670	3,641,364
Financial Officer(4)	2016	450,000	200	1,196,400	572,895	8,949	2,228,444
Celia P. Catlett	2018	313,961	200	—	292,235	8,782	615,178
General Counsel,	2017	298,269	200	1,083,600	169,105	8,670	1,559,844
Corporate Secretary	2016	273,365	200	—	204,605	8,949	487,119
S. Chris Jacobsen	2018	300,000	200	—	315,930	8,782	624,912
Chief Marketing	2017	300,000	200	541,800	236,747	8,670	1,087,417
Officer	2016	298,668	200	1,338,911	204,605	8,949	1,851,333
Tonya R. Robinson	2018	250,633	200	626,775	208,601	982	1,087,191
Chief Financial Officer							
Doug W. Thompson	2018	450,000	200	1,271,240	659,430	8,782	2,389,652
Chief Operating Officer							

(1) This column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 25, 2018, December 26, 2017, and December 27, 2016.

(2) Reflects the grant date fair value computed in accordance with ASC 718 of performance based restricted stock units and service based restricted stock units granted pursuant to the Company's long term incentive plan using the closing price of the Company's common stock on the last trading day immediately preceding the grant date. These are not amounts paid to or received by the Named Executive Officers.

The Company cautions that the amounts reported in the Summary Compensation Table for these awards may not represent the amounts that the Named Executive Officers will actually realize from the awards. Whether, and to what extent, a Named Executive Officer realizes value will depend on the Company's actual operating performance, stock price fluctuations and the Named Executive Officer's continued service with the Company. Additional information on all outstanding stock and option awards is reflected in the "Grants of Plan-Based Awards Table" and the "Outstanding Equity Awards at Fiscal Year End Table."

(3) With respect to Mr. Taylor, (i) amounts for the 2017 fiscal year include (a) the performance based restricted stock units and service based restricted stock units granted to Mr. Taylor during the 2017 fiscal year relating to his 2018 year service, and (b) the "retention" restricted stock units granted under his 2018 Employment Agreement as more particularly described above and (ii) amounts for the 2016 fiscal year include the performance based restricted stock units granted to him during the 2016 fiscal year relating to his 2017 year service.

With respect to Mr. Colosi, (i) amounts for the 2017 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Colosi during the 2017 fiscal year relating to his 2018 year service, and (ii) amounts for the 2016 fiscal year include the performance based restricted stock units granted to him during the 2016 fiscal year relating to his 2017 year service.

With respect to Ms. Catlett, amounts for the 2017 fiscal year include (i) the service based restricted stock units granted to Ms. Catlett during the 2017 fiscal year relating to her 2018 year service and (ii) the "retention" restricted stock units granted to Ms. Catlett under her 2018 Employment Agreement as more particularly described above.

With respect to Mr. Jacobsen, (i) amounts for the 2017 fiscal year include the "retention" restricted stock units granted to Mr. Jacobsen under his 2018 Employment Agreement as more particularly described above, and (ii) amounts for the 2016 fiscal year include (a) the service based restricted stock units granted to Mr. Jacobsen relating to his 2016 year service, (b) the service based restricted stock units granted to Mr. Jacobsen relating to his 2017 year service, (c) the service based restricted stock units granted to Mr. Jacobsen relating to his 2018 year service, and (d) the "retention" restricted stock units granted to Mr. Jacobsen under his prior employment agreement.

With respect to Mr. Thompson and Ms. Robinson, amounts for the 2018 fiscal year include the service based restricted stock units granted to them during the 2018 fiscal year relating to their 2018 year service.

(4) On May 17, 2018, Mr. Colosi resigned as Chief Financial Officer of the Company in connection with Ms. Robinson's appointment to Chief Financial Officer of the Company but remained as President of the Company.

Grants of Plan-Based Awards in Fiscal Year 2018

The following table presents information with respect to grants of stock awards to the applicable Named Executive Officers during fiscal year 2018.

Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Stock and Option Awards ($)(3)
		Minimum	Target	Maximum		
W. Kent Taylor						
Scott M. Colosi						
Celia P. Catlett						
S. Chris Jacobsen						
Tonya R. Robinson						
Service Based RSUs vesting on February 26, 2019	February 26, 2018	—	—	—	1,500(4)	85,920(i)
Service Based RSUs vesting on May 4, 2019	May 4, 2018	—	—	—	1,500(4)	93,765(i)
Service Based RSUs vesting on June 11, 2019	June 11, 2018	—	—	—	7,000	447,090(i)
Doug W. Thompson						
Service Based RSUs vesting on January 8, 2019	January 8, 2018	—	—	—	20,000(4)	1,137,600(ii)
Service Based RSUs vesting on August 27, 2019	August 27, 2018	—	—	—	2,000	133,640(ii)

(1) These amounts reflect the minimum, target, and maximum number of shares issuable under performance awards. The related performance targets and certain results are described in detail in the "Compensation Discussion and Analysis".

(2) Each stock award consists of restricted stock units, where each unit represents the conditional right to receive one share of our common stock upon satisfaction of vesting requirements. See the "Compensation Discussion and Analysis" for the conditions of accelerated vesting upon termination of employment other than for cause.

(3) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718 of the target number of performance based units and restricted stock units granted to the Named Executive Officers using the closing price of the Company's common stock on the last trading day immediately preceding the grant date, which was based on the following:

(i) With respect to Ms. Robinson, 1,500 restricted stock units granted on February 26, 2018 at $57.28, 1,500 restricted stock units granted on May 4, 2018 at $62.51, and 7,000 restricted stock units granted at $63.87.

(ii) With respect to Mr. Thompson, 20,000 restricted stock units granted on January 5, 2018 at $56.88 and 2,000 restricted stock units granted on August 27, 2018 at $66.82.

These are not amounts paid to or received by the Named Executive Officers. For discussion of the assumptions used in determining these values, see Note 13 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2018.

(4) These amounts reflect certain restricted stock units granted to Ms. Robinson and Mr. Thompson, respectively, prior to their respective promotions in 2018.

Outstanding Equity Awards

The following table presents information with respect to outstanding stock option awards, stock awards, and equity incentive plan awards as of December 25, 2018 by the Named Executive Officers.

Outstanding Equity Awards at Fiscal Year End Table

	Option Awards				Stock Awards		Equity Incentive Plan Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
W. Kent Taylor . . . . Chairman, Chief Executive Officer	—	—	NA	NA	85,000(2)	4,828,850	50,000(3)	2,840,500
Scott M. Colosi . . . . President	—	—	NA	NA	10,000(4)	568,100	40,000(5)	2,272,400
Celia P. Catlett . . . . General Counsel, Corporate Secretary	—	—	NA	NA	20,000(6)	1,136,200	—	—
S. Chris Jacobsen . . . . . . Chief Marketing Officer	—	—	NA	NA	25,000(7)	1,420,250	—	—
Tonya R. Robinson . . . . . Chief Financial Officer	—	—	NA	NA	10,000(8)	568,100	—	—
Doug W. Thompson . . . . Chief Operating Officer	—	—	NA	NA	22,000(9)	1,249,820	—	—

(1) Market value was computed using the Company's closing stock price on the last trading day of our fiscal year ended December 25, 2018, which was $56.81.

(2) The vesting schedule is as follows: 10,000 shares on January 8, 2019 and 75,000 shares on January 8, 2023.

(3) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 50,000 shares on January 8, 2019.

(4) The vesting schedule is as follows: 10,000 shares on January 8, 2019.

(5) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 40,000 shares on January 8, 2019.

(6) The vesting schedule is as follows: 10,000 shares on January 8, 2019 and 10,000 shares on January 8, 2021.

(7) The vesting schedule is as follows: 15,000 shares on January 8, 2019 and 10,000 shares on January 8, 2021.

(8) The vesting schedule is as follows: 1,500 shares on February 26, 2019, 1,500 shares on May 4, 2019 and 7,000 shares on June 11, 2019.

(9) The vesting schedule is as follows: 20,000 shares on January 8, 2019 and 2,000 shares on August 27, 2019.

See the "Compensation Discussion and Analysis" for the conditions of accelerated vesting upon termination of employment other than for cause.

Options Exercised and Stock Vested

The following table presents information with respect to stock options exercised and stock awards vested during the fiscal year ended December 25, 2018 by the Named Executive Officers.

Stock Vested Table

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)(1)	Stock Awards: Number of Shares Acquired on Vesting (#)	Stock Awards: Value Realized on Vesting ($)(2)
W. Kent Taylor Chairman, Chief Executive Officer	—	—	129,991	7,430,286(i)
Scott M. Colosi President	—	—	80,585	4,606,239(ii)
Celia P. Catlett General Counsel, Corporate Secretary	—	—	20,000	1,143,200(iii)
S. Chris Jacobsen Chief Marketing Officer	—	—	10,000	571,600(iv)
Tonya R. Robinson Chief Financial Officer	—	—	6,000	368,955(v)
Doug W. Thompson Chief Operating Officer	—	—	20,000	1,133,600(vi)

(1) To the extent applicable, the value realized upon exercise of options represents the difference between the market value of the underlying securities at exercise and the exercise price of the options.

(2) The value realized upon vesting of restricted stock units represents the fair value of the underlying shares based on the closing price of the Company's common stock on the trading day immediately preceding the vesting date, which is in accordance with the following:

(i) $57.16 with respect to the 15,000 service based restricted stock units which vested on January 8, 2018, and $57.16 with respect to the 114,991 performance based restricted stock units which vested on January 8, 2018 but became reportable on February 15, 2018.

(ii) $57.16 with respect to the 40,000 service based restricted stock units which vested on January 8, 2018, and $57.16 with respect to the 40,585 performance based restricted stock units which vested on January 8, 2018 but became reportable on February 15, 2018.

(iii) $57.16 with respect to the 20,000 restricted stock units which vested on January 8, 2018.

(iv) $57.16 with respect to the 10,000 restricted stock units which vested on January 8, 2018.

(v) $57.47 with respect to the 1,500 restricted stock units which vested on February 27, 2018, $63.10 with respect to 1,500 restricted stock units which vested on May 5, 2018, $63.30 with respect to 1,500 restricted stock units which vested on August 4, 2018, and $62.10 with respect to 1,500 restricted stock units which vested on November 3, 2018.

(vi) $56.68 with respect to the 20,000 restricted stock units which vested on February 8, 2018.

Termination, Change of Control and Change of Responsibility Payments

If a Named Executive Officer had resigned or been terminated for cause prior to the expiration of the term of his or her 2018 Employment Agreement, the Named Executive Officer would have received payment of his or her annual base salary then in effect through the date of resignation or termination.

If a Named Executive Officer had been terminated prior to the expiration of the term of his or her 2018 Employment Agreement as a result of death or disability, such Named Executive Officer's beneficiary or estate would have been entitled to receive an amount equal to such officer's annual base salary then in effect through the date of termination due to death or disability, plus any earned but unpaid bonus, plus the amount of such Named Executive Officer's annual base salary then in effect for 180 days following the termination, plus a fixed bonus amount as follows: for Mr. Taylor, $262,500; for Mr. Colosi, $175,000; for Ms. Catlett, $92,500; for Mr. Jacobsen, $100,000; for Ms. Robinson, $60,000; and for Mr. Thompson, $225,000.

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the 2018 Employment Agreements if his or her employment had been terminated without cause unrelated to a change of control on December 25, 2018, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of all claims against us.

Termination Payments Table

Name	Estimated Cash Payments ($)(1)	Estimated Value of Newly Vested Stock Awards ($)(2)	Total ($)
W. Kent Taylor Chairman, Chief Executive Officer	100	14,486,550	14,486,650
Scott M. Colosi President	949,795	8,521,500	9,471,295
Celia P. Catlett General Counsel, Corporate Secretary	540,077	2,272,400	2,812,477
S. Chris Jacobsen Chief Marketing Officer	563,875	3,124,550	3,688,425
Tonya R. Robinson Chief Financial Officer	404,217	1,704,300	2,108,517
Doug W. Thompson Chief Operating Officer	1,106,348	4,090,320	5,196,668

(1) Mr. Taylor is entitled to a crisp $100 bill upon the termination of his employment without cause. If the employment of Mr. Colosi had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($450,000) for 180 days, plus $175,000. If the employment of Ms. Catlett had been terminated under those circumstances, she would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of her annual base salary then in effect ($315,000) for 180 days, plus $92,500. If the employment of Mr. Jacobsen had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($300,000) for 180 days, plus $100,000. If the employment of Ms. Robinson had been terminated under those circumstances, she would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of her annual base salary then in effect ($275,000) for 180 days, plus $60,000. If the employment of Mr. Thompson had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($450,000) for 180 days, plus $225,000.

(2) Each Named Executive Officer's restricted stock units would have become immediately vested upon a termination of his or her employment without cause. The amounts shown in this column represent the value of the restricted stock units outstanding under the 2018 Employment Agreements at the closing price of our common stock on the last trading of our fiscal year ended December 25, 2018, which was $56.81. The number of restricted stock units which would have vested on that date is shown in "Outstanding Equity Awards."

The following table lists the estimated amounts payable to a Named Executive Officer if his or her employment had been terminated without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control, on December 25, 2018, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of claims against us.

Change in Control, Change in Responsibilities Payments Table

Name	Estimated Cash Payments ($)(1)	Estimated Value of Newly Vested Stock Awards ($)(2)	Total ($)
W. Kent Taylor Chairman, Chief Executive Officer	2,412,946	14,486,550	16,899,496
Scott M. Colosi President	1,810,274	8,521,500	10,331,774
Celia P. Catlett General Counsel, Corporate Secretary	1,112,413	2,272,400	3,384,813
S. Chris Jacobsen Chief Marketing Officer	1,120,862	3,124,550	4,245,412
Tonya R. Robinson Chief Financial Officer	883,122	1,704,300	2,587,422
Doug W. Thompson Chief Operating Officer	2,016,827	4,090,320	6,107,147

(1) If the employment of any of the Named Executive Officers had been terminated without cause following a change of control, or if any of the Named Executive Officers had resigned his or her position for good reason following a change of control, the Named Executive Officer would have received the amount of his or her then current base salary and target incentive bonus through the end of the term of the Named Executive Officer's employment agreement, but not less than one year. Had a Named Executive Officer's employment been so terminated on December 25, 2018, each of Messrs. Colosi, Taylor, Jacobsen, and Thompson and Mss. Catlett and Robinson would have received payment through January 7, 2021.

The table below details the estimated payment for each Named Executive Officer.

Name	Salary ($)	Bonus ($)	Total Estimated Payments ($)
W. Kent Taylor Chairman, Chief Executive Officer	1,058,630	1,354,316	2,412,946
Scott M. Colosi President	907,397	902,877	1,810,274
Celia P. Catlett General Counsel, Corporate Secretary	635,178	477,235	1,112,413
S. Chris Jacobsen Chief Marketing Officer	604,932	515,930	1,120,862
Tonya R. Robinson Chief Financial Officer	554,521	328,601	883,122
Doug W. Thompson Chief Operating Officer	907,397	1,109,430	2,106,827

(2) Each Named Executive Officer's restricted stock units would have become immediately vested upon a termination of his or her employment without cause following a change of control, or if any of the Named Executive Officers had resigned his or her position for good reason following a change of control. In addition, if any of Messrs. Taylor, Colosi, Jacobsen, and Thompson had not yet been granted performance based restricted stock units for either or both of the second or third years of his employment agreement, they would be issued the target number of units set forth in their respective 2018 Employment Agreements and as more particularly identified in the Grants of Plan-Based Awards Table above for each such year. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on the last trading day of our fiscal year ended December 25, 2018, which was $56.81. The number of restricted stock units which would have vested on that date are shown in "Outstanding Equity Awards".

CEO Pay Ratio

Under Section 953(b) of the Dodd Frank Wall Street Reform and Consumer Protection Act, a U.S. publicly traded corporation is required to disclose the ratio between their Chief Executive Officer's annual total compensation to the total compensation of such corporation's median employee after excluding the Chief Executive Officer's compensation. To identify our median employee, we used the 2018 total cash compensation for all individuals (other than Mr. Taylor, our CEO) who were employed by us as of December 25, 2018, the last day of our 2018 fiscal year. For the purposes of calculating our employee's total cash compensation, we used our employee's base wages identified on our employees' W-2 forms. As a part of our calculation, we included all employees, whether employed by us on a full-time or part-time basis, and we annualized the compensation of any employee whom we hired during our 2018 fiscal year and who was working for us at the end of our fiscal year. As of December 25, 2018, approximately 79% of are employees were part-time employees and our average employee worked approximately 22 hours per week.

We identified our median employee as a part-time server in Kentucky who worked an average of 16 hours per week. After identifying our median employee, we calculated the annual total compensation for such employee as $13,146, which is determined using the same methodology we used for our Named Executive Officers as set forth in the 2018 Summary Compensation Table described above.

As more particularly described in the 2018 Summary Compensation Table, the annual total compensation for Mr. Taylor, our CEO, for our 2018 fiscal year is $1,363,098 and the ratio between the compensation for our CEO and the compensation for our median employee is 104 to 1. Note that since the SEC rules allow companies to use various methodologies and assumptions, apply certain exclusions, and make reasonable estimates relating to a specific company's employee base when identifying the median employee, the CEO pay ratio disclosed by other companies may not be comparable with the CEO pay ratio disclosed in this paragraph. Additionally, the pay ratio between our CEO and our median employee may vary year to year based, in part, on the grant date value of any restricted stock units granted to our CEO in any given year.

AUDIT COMMITTEE REPORT

The audit committee of the Board is currently composed of three directors, all of whom meet the criteria for independence under the applicable NASDAQ and SEC rules and the Sarbanes-Oxley Act. The audit committee acts under a written charter adopted by the Board, a copy of which is available on the Company's website at *www.texasroadhouse.com*.

The audit committee has prepared the following report on its activities and with respect to the Company's audited consolidated financial statements for the fiscal year ended December 25, 2018 (the "Audited Financial Statements").

- The audit committee met 13 times during fiscal year 2018, which were comprised of five regular meetings of the audit committee and two meetings per quarter relating to the audit committee's review of the Company's filings with the Securities & Exchange Commission (the "SEC"), one of which such meetings combined content for a regular meeting of the audit committee and the audit committee's review of the Company's filings with the SEC. The audit committee's meetings included private sessions with the Company's independent auditors and internal auditors, as well as executive sessions consisting of only audit committee members. The audit committee also met periodically in private sessions with management, including Named Executive Officers (as needed);
- The audit committee reviewed the acknowledgement process for the Company's Code of Conduct, and the corresponding results;
- The audit committee reviewed the scope, plans and results of the testing performed by the Company's internal auditors and independent auditors in their assessments of internal control over financial reporting and the consolidated financial statements;
- The audit committee reviewed matters submitted to it via the Company's whistleblower hotline and/or other reporting mechanisms regarding concerns about allegedly questionable financial, accounting and/or auditing matters (if any);
- The audit committee reviewed with management, including the internal auditors and the General Counsel, and the independent auditors, the Company's practices with respect to risk assessment and risk management. The overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs were also reviewed, as well as the Company's cybersecurity controls and system standards;
- The audit committee reviewed with the General Counsel the Company's disclosures with respect to current lawsuits;
- The audit committee reviewed comment letters received from the SEC, if any, together with management's response to such letters;
- The audit committee pre-approved all audit, audit-related and permissible non-audit services provided to the Company by KPMG LLP, the Company's independent auditors, for the 2018 fiscal year, before management engaged the independent auditors for those purposes, pursuant to and in accordance with the Texas Roadhouse, Inc. Policy for Pre-Approval of Services Provided by External Audit Firm (which is available on the Company's website, *www.texasroadhouse.com*);
- On a quarterly basis, the audit committee discussed with KPMG LLP the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees;
- The audit committee discussed with KPMG LLP their written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the audit committee concerning independence;

- The audit committee reviewed the selection, application and disclosure of critical accounting policies;
- The audit committee reviewed the Company's earnings press releases prior to issuance;
- The audit committee reviewed and discussed the Company's Audited Financial Statements for the 2018 fiscal year with management and the independent auditors;
- As mentioned above, the audit committee reviewed the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K prior to filing with the SEC;
- The audit committee evaluated the appointment, compensation, retention and oversight of KPMG LLP. In connection with such appointment, the audit committee evaluated the service level of the incumbent independent auditor, which included criteria such as prior year quality of service, industry and technical expertise, independence, resource availability, and reasonableness and competitiveness of fees, as well as solicited the input of key management employees during its evaluation; and
- Based on the review and discussion referred to above, and in reliance thereon, the audit committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2018, for filing with the SEC.

All members of the audit committee concur in this report.

Gregory N. Moore, Chair
Curtis A. Warfield
James R. Zarley

Related Party Transactions

The audit committee's charter provides that the audit committee will review and approve any transactions between us and any of our executive officers, non-employee directors, and 5% shareholders, or any members of their immediate families, in which the amount involved exceeds the threshold limits established by the regulations of the SEC. In reviewing a related-party transaction, the audit committee considers the material terms of the transaction, including whether the terms are generally available to an unaffiliated third party under similar circumstances. Unless specifically noted, the transactions described below were entered into before our initial public offering and the subsequent formation of the audit committee.

Grants of Franchise or License Rights

We have licensed or franchised restaurants to companies owned in part by certain Named Executive Officers. The licensing or franchise fees paid by these companies to us range from 0.0% to 4.0% of restaurant sales, which is the amount we typically charge to franchisees. We believe that allowing certain Named Executive Officers with ownership interests in our restaurants that pre-dated our initial public offering to continue to maintain those ownership interests adds an ongoing benefit to the Company by making those Named Executive Officers more invested in the overall success of the brand. Ownership of franchised restaurants by our current Named Executive Officers is listed below.

Restaurant	Name and Ownership	Initial Franchise Fee	Royalty Rate	Royalties Paid to Us in Fiscal Year 2018 ($)	Management, Supervision or Accounting Fees Paid to Us in Fiscal Year 2018 ($)
Billings, MT	W. Kent Taylor (27.5%) Scott M. Colosi (2.0%)	—	4.0%	202,508	25,313
Everett, MA	W. Kent Taylor (28.75%)	—	4.0%	264,839	33,105
Fargo, ND	Scott M. Colosi (5.05%)	—	4.0%	195,321	24,415
Lexington, KY	W. Kent Taylor (5.0%)	—	2.0%	102,955	20,713
McKinney, TX	Scott M. Colosi (2.0%)	—	4.0%	263,907	32,988
Melbourne, FL	W. Kent Taylor (17.0%)	—	—	—	104,040
Muncie, IN	W. Kent Taylor (4.91%)	—	—	50,000	—
Omaha, NE	Scott M. Colosi (10.99%)	—	4.0%	215,919	26,990
Port Arthur, TX	W. Kent Taylor (15.0%) Scott M. Colosi (3.0%)	—	4.0%	227,969	28,496
Wichita, KS	W. Kent Taylor (24.05%) Scott M. Colosi (4.0%)	—	4.0%	307,546	39,300

For the 2018 fiscal year, the total amount of distributions received by Mr. Taylor and Mr. Colosi relating to their ownership interests in the above-referenced franchised restaurants were $1,598,976 and $191,799, respectively. These amounts do not reflect compensation paid by the Company to Mr. Taylor and/or Mr. Colosi during the 2018 fiscal year; rather, these amounts were paid by the applicable franchise entity and reflect a return on investment in these separate restaurant locations.

On March 19, 2004, we entered into a preliminary franchise agreement with a company which is 95% owned by Mr. Taylor to develop a restaurant at a location which is to be determined. The terms of the preliminary franchise agreement provide for no initial franchise fees and royalties of 3.5% of restaurant sales. During fiscal year 2018, we received no payment from this franchise restaurant, as none was due.

The franchise agreements and preliminary franchise agreement that we have entered into with our Named Executive Officers contain the same terms and conditions as those agreements that we enter into with our other domestic franchisees except, in some instances, the initial franchise fees and the royalty rates, which are currently $40,000 and 4.0%, respectively, for our other domestic franchisees. We have the contractual right, but not the obligation, to acquire the restaurants owned by our Named Executive Officers based on a pre-determined valuation formula which is the same as the formula contained in the domestic franchise agreements that we have entered into with other franchisees with whom we have such rights. A preliminary agreement for a franchise may be terminated if the franchisee does not identify and obtain our approval of its restaurant management personnel, locate and obtain our approval of a suitable site for the restaurant or does not demonstrate to us that it has secured necessary capital and financing to develop the restaurant. Once a franchise agreement has been entered into, it may be terminated if the franchisee defaults in the performance of any of its obligations under the agreement, including its obligations to operate the restaurant in strict accordance with our standards and specifications. A franchise agreement may also be terminated if a franchisee becomes insolvent, fails to make its required payments, creates a threat to the public health or safety, ceases to operate the restaurant or misuses the Texas Roadhouse trademarks.

On December 3, 2018, we entered into an agreement whereby we paid $2,500,000 to acquire the assets of the franchise entity that owned the restaurant location in Melbourne, Florida. Mr. Taylor received approximately $425,000 for his 17% interest in the franchise entity.

Ownership Interest in Majority-Owned Joint Venture Entities

Prior to his appointment as Chief Operating Officer, Mr. Thompson held an ownership interest in three Texas Roadhouse restaurants owned by entities which the Company controls and in which the Company holds a 52.5% ownership interest. On August 17, 2018, Mr. Thompson and another owner of interests in the restaurants located in Stillwater, OK and Gilbert-East, AZ, engaged in transactions which resulted in Mr. Thompson selling all of his interest in the Stillwater, OK restaurant, and Mr. Thompson increasing his ownership interest in the Gilbert-East, AZ restaurant to an aggregate of 35.5%. On August 22, 2018, we purchased Mr. Thompson's ownership interest in the Texas Roadhouse restaurant in Warwick, RI for $122,270 based on a value determined consistent with the valuation formula set forth in the Company's franchise agreements. As a result of the above transactions, upon his appointment to Chief Operating Officer, Mr. Thompson only held an ownership interest in the Texas Roadhouse restaurant in Gilbert-East, AZ. The Company believes that allowing certain Named Executive Officers to have ownership interests in restaurants provides an ongoing benefit to the Company by making these persons more invested in the overall success of the brand. The table below sets forth Mr. Thompson's ownership in the Gilbert-East, AZ restaurant as of the end of the 2018 fiscal year, together with his ownership in the Stillwater, OK and Warwick, RI restaurants during the 2018 fiscal year.

Restaurant	Thompson Ownership	Management or Supervision Fees Paid to Us in Fiscal Year 2018 ($)
Stillwater, OK	7.5%(i)	184,875
Warwick, RI	5.0%(i)	150,581
Gilbert-East, AZ	35.5%	233,972

(i) As noted above, these percentages relate to Mr. Thompson's previous ownership interest in the restaurants located in Stillwater, OK and Warwick, RI prior to his appointment to Chief Operating Officer. Prior to such appointment, Mr. Thompson disposed of all of his interest in these two entities.

For the 2018 fiscal year, the total amount of distributions received by Mr. Thompson relating to his ownership interests in the above-referenced restaurants was $436,694. These amounts do not reflect compensation paid by the Company to Mr. Thompson during these periods; rather, these amounts were paid by the applicable entity and reflect a return on investment in these restaurant locations.

Prior to Mr. Thompson's appointment to Chief Operating Officer, all of the entities in which Mr. Thompson had an ownership interest had indebtedness to the Company. For the 2018 fiscal year, the table below sets forth certain information related to the indebtedness to the Company by the entities in which Mr. Thompson had an ownership interest during the 2018 fiscal year, all of which bore interest at an annual rate of 2%. As noted above, Mr. Thompson disposed of his interests in the Stillwater, OK and Warwick, RI restaurants before his appointment to Chief Operating Officer on August 23, 2018.

Restaurant	Largest Aggregate Amount of Principal Outstanding during the 2018 Fiscal Year ($)	Amount of Principal Outstanding as of December 25, 2018 ($)	Aggregate Principal Repaid in the 2018 Fiscal Year ($)	Aggregate Interest Repaid in the 2018 Fiscal Year ($)
Stillwater, OK	576,313	461,051	115,263	10,470
Warwick, RI	579,686	426,829	152,857	10,193
Gilbert-East, AZ(i)	657,862	—	657,862	8,534

(i) On August 22, 2018, the outstanding principal balance of $617,106 was repaid to the Company and the entity did not have any outstanding indebtedness to the Company upon Mr. Thompson's promotion to Chief Operating Officer.

Other Related Transactions

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, of which Mr. Taylor beneficially owns 28.75%, and Fargo, ND, of which Mr. Colosi owns 5.05%, before our granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Everett lease expires in February 2023, and the Fargo lease expires in July 2021.

We previously entered into real estate lease agreements for the Company restaurants located in Warwick, RI and Gilbert-East, AZ. We subsequently assigned the leases to the joint venture operating entities, but we remain contingently liable if the entity defaults under the terms of the lease. The Warwick lease expires in January 2023 and the Gilbert-East lease expires in July 2023.

In 2018, Mr. Taylor made a personal contribution of $1,000,000 to cover a portion of the planned expenses incurred as a part of the annual market partner conference.

PRESENTATION OF PROPOSALS

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's bylaws provide for not less than one and not more than 15 directors. Our Board currently consists of five directors. At the Annual Meeting, we are electing five directors to hold office until the Annual Meeting of Shareholders in 2020 and until a successor is elected and qualified. Although it is not anticipated that any of the nominees listed below will decline or be unable to serve, if that should occur, the proxy holders may, in their discretion, vote for a substitute nominee.

Nominees for Election as Directors

Set forth below are the Board members who will stand for re-election at the Annual Meeting, together with their age, all Company positions and offices they currently hold, and the year in which they joined the Board.

Name	Age	Position or Office	Director Since
Gregory N. Moore	69	Director	2005
W. Kent Taylor	63	Director; Chairman & CEO	2004
Curtis A. Warfield	50	Director	2018
Kathleen M. Widmer	57	Director	2013
James R. Zarley	74	Director	2004

Recommendation

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES FOR THE DIRECTORS OF THE COMPANY SET FORTH ABOVE.

PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

As more particularly described in this proxy statement, the audit committee is directly responsible for managing the Company's independent auditors, which includes, without limitation, (i) pre-approving all audit and permitted non-audit services provided by our independent auditors, and (ii) the appointment, compensation, retention and oversight of the Company's independent auditors. In connection with the audit committee's appointment of the Company's independent auditors, the audit committee evaluates the service level of the incumbent independent auditor on an annual basis, which includes criteria such as prior year quality of service, industry and technical expertise, independence, resource availability, and reasonableness and competitiveness of fees, as well as solicits the input of key management employees during its evaluation.

In connection with the same and pursuant to its charter, the audit committee has appointed the firm of KPMG LLP to serve as the independent auditors to audit the consolidated financial statements and the internal control over financial reporting of the Company for the fiscal year which ends on December 31, 2019. The Board and the audit committee jointly agree that the continued retention of KPMG LLP is in the best interest of the Company and its shareholders. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of KPMG LLP. If the shareholders fail to ratify the appointment of KPMG LLP, the audit committee will take this result into account when appointing an independent auditor for the 2019 fiscal year. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm as the Company's independent auditors at any time during the year if the audit committee believes that such a change would be in the best interests of the Company and its shareholders. One or more representatives of KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Fees Paid to the Independent Auditors

We paid the following fees to KPMG LLP for fiscal years 2018 and 2017:

	2018($)	2017($)
Audit Fees	789,676	760,664
Audit-related Fees	7,375	—
Tax Fees	20,903	55,632
All Other Fees	1,500	—
	819,454	816,296

Audit Fees

KPMG LLP charged $789,676 in fiscal year 2018 and $760,664 in fiscal year 2017 for audit fees. These include professional services in connection with the audit of the Company's annual consolidated financial statements and its internal control over financial reporting. They also include reviews of the Company's consolidated financial statements included in the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years shown. Additionally, the fees for fiscal years 2018 and 2017 contain approximately $55,676 and $50,664, respectively, related to statutory audits. Finally, the fees for fiscal years 2018 and 2017 contain approximately $69,000 and $25,000, respectively, related to the adoption of new accounting pronouncements. The fee for fiscal year 2017 also includes approximately $15,000 related to an accounting software conversion.

Audit-Related Fees

KPMG LLP charged the Company $7,375 for audit-related services in fiscal year 2018.

Tax Fees

KPMG LLP charged $20,903 for tax consulting and compliance services in fiscal year 2018 and $55,632 for tax consulting services in fiscal year 2017.

All Other Fees

KPMG LLP charged $1,500 for access to their Accounting Research Online tool in fiscal year 2018.

Pre-approval Policies and Procedures

The audit committee pre-approved all audit, audit-related and permissible non-audit services provided to the Company by KPMG LLP before management engaged the auditors for those purposes. The policy of the audit committee is to review all engagement letters for accounting firms for non-audit services.

Recommendation

THE BOARD RECOMMENDS A VOTE "FOR" THE RATIFICATION OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE 2019 FISCAL YEAR.

PROPOSAL 3

ADVISORY VOTE ON APPROVAL OF EXECUTIVE COMPENSATION

The Board requests shareholder approval of the compensation of the Company's Named Executive Officers as described in the "Compensation Discussion and Analysis," the Executive Compensation section and the other related executive compensation tables and related discussions in this proxy statement. As an advisory vote, the outcome of the voting on this proposal is not binding upon the Company; however, the compensation committee, which is responsible for establishing and administering the Company's executive compensation program, values the opinions expressed by shareholders on this proposal and will consider the outcome of the vote when making future compensation decisions for the Company's executive officers. Additionally, the compensation committee invites shareholders to express any questions or concerns regarding the Company's compensation philosophy for our executive officers by correspondence addressed to Texas Roadhouse, Inc. Compensation Committee, 6040 Dutchmans Lane, Louisville, Kentucky 40205.

The objective of the compensation committee in setting and evaluating the compensation of our executive officers is to promote the sustained profitability of the Company. Compensation for the Named Executive Officers is divided into three key components: (1) base salary, which provides a secure base of compensation and serves to motivate and retain our Named Executive Officers; (2) a cash bonus, which rewards our Named Executive Officers for the success of the Company as measured by growth in the Company's earnings per diluted share and its overall pre-tax profit, and for each Named Executive Officer's individual contribution to that success; and (3) grants of restricted stock units, which offer the Named Executive Officers a financial interest in the long-term success of the Company and align their interests with those of our shareholders. The types of restricted stock units are (i) restricted stock units, which grant the Named Executive Officers the conditional right to receive shares of our common stock that vest after a defined period of service, (ii) "retention" restricted stock units, which vest upon the completion of the term of an individual Named Executive Officer's agreement or such longer date as determined by the compensation committee, and (iii) performance stock units, which are calculated based on the achievement of certain Company performance targets established by the compensation committee and vest over a period of service. The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock.

The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, a significant amount of the compensation for certain Named Executive Officers is based exclusively on the grant of service based restricted stock units while other Named Executive Officers receive a combination of service based restricted stock units and performance based restricted stock units, with a significant portion of such Named Executive Officer's compensation being tied to the grant of such performance based restricted stock units. By conditioning a significant portion of certain Named Executive Officer's performance based restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our Named Executive Officers more particularly described above, we have created a more direct relationship between compensation and shareholder value. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or performance based restricted stock units. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our Named Executive Officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

This structure, along with the culture and values of our Company, allows the Company to attract and retain top talent, while also encouraging our Named Executive Officers to keep their focus on both long-term business development and short-term financial growth. The Board was pleased to receive shareholder approval of the compensation packages of our Named Executive Officers in the advisory vote at the 2018 annual meeting and again requests approval of the compensation packages of our Named Executive Officers.

Recommendation

THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE EXECUTIVE COMPENSATION DETAILED IN THIS PROXY STATEMENT.

SHAREHOLDER PROPOSALS

Under Rule 14a-8 promulgated under the Exchange Act, shareholders may present proposals to be included in the Company proxy statement for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. Any such proposal must comply with Rule 14a-8.

The Company's bylaws, a copy of which is available on the Company's website, *www.texasroadhouse.com,* require shareholders who intend to propose business for consideration by shareholders at the 2020 annual meeting, other than shareholder proposals that are included in the proxy statement, to deliver written notice to the principal executive offices of the Company on or before December 13, 2019 (reflecting 120 calendar days prior to the one year anniversary of the date of the Company's proxy statement issued in connection with the prior year's annual meeting). This notice must include a description of the business desired to be brought before the annual meeting, the name and address of the shareholder proposing such business and of the beneficial owner, if any, on whose behalf the business is being brought, the class, series and number of shares of the Company which are beneficially owned by the shareholder and such other beneficial owner and any material interest of the shareholder and such other beneficial owner in such business. Similar requirements are set forth in the Company's bylaws with respect to shareholders desiring to nominate candidates for election as director. Exchange Act rules permit management to vote proxies in its discretion in certain cases if the shareholder does not comply with these deadlines, and in certain other cases notwithstanding the shareholder's compliance with these deadlines. If a shareholder submitting a matter to be raised at the Company's next annual meeting desires that such matter be included in the Company's proxy statement for that meeting, such matter must be submitted to the Company no later than December 13, 2019.

The rules of the SEC set forth standards for what shareholder proposals the Company is required to include in a proxy statement for an annual meeting.

SHAREHOLDERS' COMMUNICATIONS WITH THE BOARD

Shareholders that want to communicate in writing with the Board, or specific directors individually, may send proposed communications to the Company's General Counsel and Corporate Secretary, Celia P. Catlett, at 6040 Dutchmans Lane, Louisville, Kentucky 40205. The proposed communication will be reviewed by Ms. Catlett and by the audit committee. If the communication is appropriate and serves to advance or improve the Company or its performance, it will be forwarded to the Board or the appropriate director.

FORM 10-K

The Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2018, accompanies this proxy statement. The Company's Annual Report does not form any part of the material for solicitation of proxies.

Any shareholder who wishes to obtain, without charge, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2018, which includes financial statements, and is required to be filed with the SEC, may access it at *www.texasroadhouse.com* in the Investors section or may send a written request to Celia P. Catlett, General Counsel and Corporate Secretary, Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.

OTHER BUSINESS

The Board is not aware of any other matters to be presented at the Annual Meeting other than those set forth herein and routine matters incident to the conduct of the meeting. If any other matters should properly come before the Annual Meeting or any adjournment or postponement thereof, the persons named in the proxy, or their substitutes, intend to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

Celia P. Catlett
Corporate Secretary

Louisville, Kentucky
April 12, 2019

Please vote your shares through any of the methods described on the proxy card as promptly as possible, whether or not you plan to attend the Annual Meeting in person. If you do attend the Annual Meeting, you may still vote in person, since the proxy may be revoked at any time before its exercise by delivering a written revocation of the proxy to the Company's Corporate Secretary.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 25, 2018

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	**20-1083890**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

6040 Dutchmans Lane
Louisville, Kentucky 40205
(Address of principal executive offices) (Zip Code)

(502) 426-9984
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☒ .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last day of the second fiscal quarter ended June 26, 2018 was $4,573,063,062 based on the closing stock price of $67.97. Shares of voting stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The market value calculation was determined using the closing stock price of our common stock on the Nasdaq Global Select Market.

The number of shares of common stock outstanding were 71,688,113 on February 13, 2019.

Portions of the registrant's definitive Proxy Statement for the registrant's 2019 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days of the registrant's fiscal year ended December 25, 2018, are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the other factors discussed under "Risk Factors" elsewhere in this report, factors that could contribute to these differences include, but are not limited to:

- our ability to raise capital in the future;
- our ability to successfully execute our growth strategies;
- our ability to successfully open new restaurants, acquire franchise restaurants and/or execute other strategic transactions;
- our ability to increase and/or maintain sales and profits at our existing restaurants;
- our ability to integrate the franchise or other restaurants which we acquire or develop;
- the continued service of key management personnel;
- health concerns about our food products;
- our ability to attract, motivate and retain qualified employees;
- the impact of federal, state or local government laws and regulations relating to our employees and the sale of food and alcoholic beverages;
- the impact of litigation, including remedial actions, payment of damages and expenses and negative publicity;
- the cost of our principal food products;
- labor shortages or increased labor costs, such as health care, market wage levels and workers' compensation insurance costs;
- inflationary increases in the costs of construction and/or real estate;
- changes in consumer preferences and demographic trends;
- the impact of initiatives by competitors and increased competition generally;
- our ability to successfully expand into new and existing domestic and international markets;
- risks associated with partnering in markets with franchisees or other investment partners with whom we have no prior history and whose interests may not align with ours;
- risks associated with developing and successfully operating new concepts;
- security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions or the failure of our information technology systems;
- the rate of growth of general and administrative expenses associated with building a strengthened corporate infrastructure to support our initiatives;
- negative publicity regarding food safety, health concerns and other food or beverage related matters, including the integrity of our or our suppliers' food processing;

- our franchisees’ adherence to the terms of the franchise agreement;
- potential fluctuation in our quarterly operating results due to seasonality and other factors;
- supply and delivery shortages or interruptions;
- our ability to adequately protect our intellectual property;
- volatility of actuarially determined self-insurance losses and loss estimates;
- adoption of new, or changes in existing, accounting policies and practices;
- changes in and/or interpretations of federal and state tax laws;
- adverse weather conditions which impact guest traffic at our restaurants; and
- unfavorable general economic conditions in the markets in which we operate that adversely affect consumer spending.

The words "believe," "may," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive," "goal," "projects," "forecasts," "will" or similar words or, in each case, their negative or other variations or comparable terminology, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Other risks, uncertainties and factors, including those discussed under "Risk Factors," or those currently deemed immaterial or unknown, could cause our actual results to differ materially from those projected in any forward-looking statements we make.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I

ITEM 1—BUSINESS

Texas Roadhouse, Inc. (the "Company") was incorporated under the laws of the state of Delaware in 2004. The principal executive office is located in Louisville, Kentucky.

General Development of Business

The Company is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 582 restaurants in 49 states and nine foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown favorite for a broad segment of consumers seeking high quality, affordable meals served with friendly, attentive service. As of December 25, 2018, we owned and operated 491 restaurants and franchised an additional 69 domestic restaurants and 22 international restaurants.

Financial Information about Operating Segments

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers, and possessing similar pricing structures, resulting in similar long-term expected financial performance characteristics. Each of our 491 company restaurants is considered an operating segment.

Narrative Description of Business

Of the 491 restaurants we owned and operated at the end of 2018, we operated 464 as Texas Roadhouse restaurants and 25 as Bubba's 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment. In 2019, we plan to open 25 to 30 company restaurants. While the majority of our restaurant growth in 2019 will be Texas Roadhouse restaurants, we currently expect to open as many as four Bubba's 33 restaurants. Throughout this report, we use the term "restaurants" to include Texas Roadhouse and Bubba's 33, unless otherwise noted.

Texas Roadhouse is a moderately priced, full-service, casual dining restaurant concept offering an assortment of specially seasoned and aged steaks hand-cut daily on the premises and cooked to order over open grills. In addition to steaks, we also offer our guests a selection of ribs, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. The majority of our entrées include two made-from-scratch side items, and we offer all our guests a free unlimited supply of roasted in-shell peanuts and fresh baked yeast rolls.

Bubba's 33 is a family-friendly, sports restaurant concept featuring scratch-made food, ice cold beer and signature drinks. Our menu features burgers, pizza and wings as well as a wide variety of appetizers, sandwiches and dinner entrées. Our first Bubba's 33 restaurant opened in May 2013 in Fayetteville, North Carolina.

The operating strategy that underlies the growth of our concepts is built on the following key components:

- *Offering high quality, freshly prepared food.* We place a great deal of emphasis on providing our guests with high quality, freshly prepared food. As part of our process, we have developed proprietary recipes to provide consistency in quality and taste throughout all restaurants. We expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation. In addition, we employ a team of product coaches whose function is to provide continual, hands-on training and education to our kitchen staff for the purpose of promoting consistent adherence to recipes, food preparation procedures, food safety standards, food appearance, freshness and portion size. At our Texas Roadhouse restaurants, we hand-cut all but one of our assortment of steaks and make our sides from scratch.

- *Offering performance-based manager compensation.* We offer a performance-based compensation program to our individual restaurant managers and multi-restaurant operators, who are called "managing partners" and "market partners," respectively. Each of these partners earns a base salary plus a performance bonus, which represents a percentage of each of their respective restaurant's pre-tax income. By providing our partners with a significant stake in the success of our restaurants, we believe that we are able to attract and retain talented, experienced and highly motivated managing and market partners.

- *Focusing on dinner.* In a high percentage of our restaurants, we limit our operating hours to dinner only during the weekdays with approximately one half of our restaurants offering lunch on Friday. By focusing on dinner, our restaurant teams have to prepare for and manage only one shift per day during the week. We believe this allows our restaurant teams to offer higher quality, more consistent food and service to our guests.

- *Offering attractive price points.* We offer our food and beverages at moderate price points that we believe are as low as or lower than those offered by many of our competitors. Within each menu category, we offer a choice of several price points with the goal of fulfilling each guest's budget and value expectations. For example, at our Texas Roadhouse restaurants, our steak entrées, which include the choice of two side items, generally range from $10.99 for our 6-ounce Sirloin to $26.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2018 was $17.09. Per guest average check represents restaurant sales divided by the number of guests served. We consider each sale of an entrée to be a single guest served. Our per guest average check is higher as a result of our weekday dinner only focus. At our Bubba's 33 restaurants, our entrées range from $9.79 for our Classic Cheeseburger to $19.99 for our 16 inch Meaty Meaty pizza.

- *Creating a fun and comfortable atmosphere with a focus on high quality service.* We believe the service quality and atmosphere we establish in our restaurants is a key component for fostering repeat business. We focus on keeping our table-to-server ratios low to allow our servers to truly focus on their guests and serve their needs in a personal, individualized manner. Our Texas Roadhouse restaurants feature a rustic southwestern lodge décor accentuated with hand-painted murals, neon signs, and southwestern prints, rugs and artifacts. Additionally, we offer jukeboxes, which continuously play upbeat country hits. Our Bubba's 33 restaurants feature walls lined with televisions playing sports events and music videos and are decorated with sports jerseys, neon signs and other local flair.

Unit Prototype and Economics

We design our restaurant prototypes to provide a relaxed atmosphere for our guests, while also focusing on restaurant-level returns over time. Our current prototypical Texas Roadhouse restaurants consist of a freestanding building with approximately 7,200 to 7,500 square feet of space constructed on sites of approximately 1.7 to 2.0 acres or retail pad sites, with seating of approximately 58 to 68 tables for a total of 270 to 300 guests, including 18 bar seats, and parking for approximately 160 vehicles either on-site or in combination with some form of off-site cross parking arrangement. Our current prototypes are adaptable to in-line and end-cap locations and/or spaces within an enclosed mall or a shopping center. Our prototypical Bubba's 33 restaurant remains under development as we continue to open additional restaurants. We expect most future Bubba's 33 restaurants to range between approximately 7,200 and 7,600 square feet depending on the location with seating for approximately 270 guests.

As of December 25, 2018, we leased 348 properties and owned 143 properties. Our 2018 average unit volume for all Texas Roadhouse company restaurants open before June 27, 2017 was $5.2 million. The time required for a new Texas Roadhouse restaurant to reach a steady level of cash flow is approximately three to six months. For 2018, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the 23 Texas Roadhouse company restaurants opened during the year was approximately $5.2 million, broken down as follows:

	Average Cost	Low	High
Land(1)	$ 1,330,000	$ 600,000	$ 2,070,000
Building(2)	2,045,000	1,540,000	2,920,000
Furniture and Equipment	1,195,000	1,110,000	1,285,000
Pre-opening costs	600,000	445,000	955,000
Other(3)	30,000	—	550,000
Total	$ 5,200,000		

(1) Represents 10x's initial base rent in the event the land is leased or the average cost for land acquisitions.

(2) Includes site work costs.

(3) Primarily liquor licensing costs, where applicable. This cost varies based on the licensing requirements in each state.

Our average capital investment for the Texas Roadhouse restaurants opened in 2018, 2017 and 2016 was $5.2 million, $5.3 million and $5.0 million, respectively. We expect our average capital investment for restaurants to be opened in 2019 to be approximately $5.5 million. The increase in our estimated 2019 average capital investment is due to the purchase of land and the related site improvement costs at more locations.

Our average capital investment for the Bubba's 33 restaurants opened in 2018, 2017 and 2016 was $7.1 million, $6.1 million and $6.5 million, respectively. The increase in our 2018 average capital investment for our Bubba's 33 restaurants was primarily due to higher costs at one urban site in New Jersey as well as higher rent and pre-opening costs. Excluding this site, the average capital investment would have been $6.5 million. We expect our average capital investment for restaurants to be opened in 2019 to be approximately $6.5 million. We continue to evaluate our Bubba's 33 prototypical asset design.

We remain focused on driving sales and managing restaurant investment costs in order to maintain our restaurant development in the future. Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of required site work, type of construction labor (union or non-union), local permitting requirements, our ability to negotiate with landowners and/or landlords, cost of liquor and other licenses and hook-up fees and geographical location.

Site Selection

We continue to refine our site selection process. In analyzing each prospective site, our real estate team, as well as our restaurant market partners, devotes significant time and resources to the evaluation of local market demographics, population density, household income levels and site-specific characteristics such as visibility, accessibility, traffic generators, proximity of other retail activities and competitors, traffic counts and parking. We work actively with experienced real estate brokers in target markets to select high quality sites and to maintain and regularly update our database of potential sites. We typically require three to six months to locate, approve and control a restaurant site and typically six to 12 additional months to obtain necessary permits. Upon receipt of permits, we require approximately four to five months to construct, equip and open a restaurant.

Existing Restaurant Locations

As of December 25, 2018, we had 491 company restaurants and 91 franchise restaurants in 49 states and nine foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	8	—	8
Alaska	2	—	2
Arizona	18	—	18
Arkansas	5	—	5
California	4	7	11
Colorado	16	1	17
Connecticut	5	—	5
Delaware	2	2	4
Florida	34	—	34
Georgia	9	6	15
Idaho	5	—	5
Illinois	15	—	15
Indiana	20	8	28
Iowa	9	—	9
Kansas	6	1	7
Kentucky	12	2	14
Louisiana	9	1	10
Maine	3	—	3
Maryland	8	6	14
Massachusetts	10	1	11
Michigan	14	3	17
Minnesota	4	—	4
Mississippi	3	—	3
Missouri	16	—	16
Montana	—	1	1
Nebraska	3	1	4
Nevada	2	—	2
New Hampshire	3	—	3
New Jersey	9	—	9
New Mexico	5	—	5
New York	19	—	19
North Carolina	19	—	19
North Dakota	2	1	3
Ohio	31	2	33
Oklahoma	7	—	7
Oregon	2	—	2
Pennsylvania	24	6	30
Rhode Island	3	—	3
South Carolina	2	6	8
South Dakota	2	—	2
Tennessee	14	2	16
Texas	67	5	72
Utah	9	1	10
Vermont	1	—	1
Virginia	15	—	15
Washington	1	—	1
West Virginia	2	3	5
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	491	69	560
Bahrain	—	1	1
China	—	1	1
Kuwait	—	3	3
Mexico	—	1	1
Philippines	—	2	2
Qatar	—	2	2
Saudi Arabia	—	3	3
Taiwan	—	3	3
United Arab Emirates	—	6	6
Total international restaurants	—	22	22
Total system-wide restaurants	491	91	582

Food

Menu. Our restaurants offer a wide variety of menu items at attractive prices that are designed to appeal to a broad range of consumer tastes. At Texas Roadhouse restaurants, our dinner entrée prices generally range from $8.99 to $26.99. We offer a broad assortment of specially seasoned and aged steaks, all cooked over open grills and all but one hand-cut daily on the premises. We also offer our guests a selection of ribs, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. Entrée prices include unlimited peanuts, fresh baked yeast rolls and most include the choice of two made-from-scratch sides. Other menu items include specialty appetizers such as the "Cactus Blossom®" and "Rattlesnake Bites®". We also provide a "12 & Under" menu for children that includes a selection of smaller-sized entrées served with one side item and a beverage at prices generally between $3.99 and $8.99. At Bubba's 33 restaurants, our menu prices, excluding appetizers, generally range from $9.79 to $19.99. We offer a broad assortment of wings, burgers, pizzas, salads and sandwiches. In addition, we also offer our guests a selection of chicken, beef and seafood entrées. Our Bubba's 33 restaurants also offer an extensive selection of draft beer. We provide a "12 & Under" menu for children at our Bubba's 33 restaurants that includes a selection of items, including a beverage, at prices generally between $3.99 and $5.99.

Most of our restaurants feature a full bar that offers an extensive selection of draft and bottled beer, major brands of liquor and wine as well as made in-house margaritas. Managing partners are encouraged to tailor their beer selection to include regional and local brands. Alcoholic beverages at our Texas Roadhouse restaurants accounted for 10.7% of restaurant sales in fiscal 2018.

We strive to maintain a consistent menu at our restaurants over time. We continually review our menu to consider enhancements to existing menu items or the introduction of new items. We change our menu only after guest feedback and an extensive study of the operational and economic implications. To maintain our high levels of food quality and service, we generally remove one menu item for every new menu item introduced to facilitate our ability to execute high quality meals on a focused range of menu items.

Food Quality and Safety. We are committed to serving a varied menu of high quality, great tasting food items with an emphasis on freshness. We have developed proprietary recipes to promote consistency in quality and taste throughout all restaurants and provide a unique flavor experience to our guests. At each domestic Texas Roadhouse restaurant, a trained meat cutter hand cuts our steaks and other restaurant employees prepare our side items and yeast rolls from scratch in the restaurants daily. At both Texas Roadhouse and Bubba's 33 restaurants, we assign individual kitchen employees to the preparation of designated food items in order to focus on quality, consistency, speed and food safety. Additionally, we expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation.

We employ a team of product coaches whose function is to provide continual, hands-on training and education to the kitchen staff in our restaurants for the purpose of reinforcing food quality, recipe consistency, food preparation procedures, food safety and sanitation standards, food appearance, freshness and portion size. The product coach team supports substantially all restaurants system-wide.

Food safety is of utmost importance to us. We currently utilize several programs to help facilitate adherence to proper food preparation procedures and food safety standards including our daily taste and temperature procedures. We have a food team whose function, in conjunction with our product coaches, is to develop, enforce and maintain programs designed to promote compliance with food safety guidelines. As a requirement of our quality assurance process, primary food items purchased from qualified vendors have been inspected by reputable, outside inspection services confirming that the vendor is compliant with United States Food and Drug Administration ("FDA") and United States Department of Agriculture ("USDA") guidelines.

We perform food safety and sanitation audits on our restaurants each year and these results are reviewed by various members of operations and management. To maximize adherence to food safety protocols, we have incorporated HACCP (Hazard Analysis Critical Control Points) principles and critical procedures (such as hand washing) in each recipe. In addition, most of our product coaches and food team members have obtained or are in the process of obtaining their Certified Professional-Food Safety designation from the National Environmental Health Association.

Purchasing. Our purchasing philosophy is designed to supply fresh, quality products to the restaurants at competitive prices while maximizing operating efficiencies. We negotiate directly with suppliers for substantially all food and beverage products to maximize quality and freshness and obtain competitive prices.

Food and supplies are ordered by and shipped directly to the domestic restaurants. Most food products used in the operation of our restaurants are distributed to individual restaurants through an independent national distribution company. We strive to qualify more than one supplier for all key food items and believe that beef of comparable quality as well as all other essential food and beverage products are available, upon short notice, from alternative qualified suppliers.

Service

Service Quality. We believe that guest satisfaction and our ability to continually evaluate and improve the guest experience at each of our restaurants is important to our success. We employ a team of service coaches whose function is to provide consistent, hands-on training and education to our managers and service staff in our restaurants for the purpose of reinforcing service quality and consistency, staff attitude and team work and manage interaction in the dining room. The service coach team supports substantially all restaurants system-wide.

Guest Satisfaction. Through the use of guest surveys, our websites, "texasroadhouse.com" and "bubbas33.com," a toll-free guest response telephone line, emails, letters, social media, and personal interaction in the restaurant, we receive valuable feedback from guests. Additionally, we employ an outside service to administer a "Secret Shopper" program whereby trained individuals periodically dine and comprehensively evaluate the guest experience at each of our domestic restaurants. Particular attention is given to food, beverage and service quality, cleanliness, staff attitude and teamwork, and manager visibility and interaction. The resulting reports are used for follow up training and providing feedback to both staff and management. We continue to evaluate and implement processes relating to guest satisfaction, including reducing guest wait times and improving host interaction with the guest.

Atmosphere. The atmosphere of our restaurants is intended to appeal to broad segments of the population including children, families, couples, adults and business persons. Substantially all Texas Roadhouse restaurants are of our prototype design, reflecting a rustic southwestern lodge atmosphere. The interiors feature pine and stained concrete floors and are decorated with hand-painted murals, neon signs, southwestern prints, rugs and artifacts. The restaurants contain jukeboxes that continuously play upbeat country hits. Guests may also view a display-baking area, where our fresh baked yeast rolls are prepared, and a meat cooler displaying fresh cut steaks. While waiting for a table, guests can enjoy complimentary roasted in-shell peanuts and upon being seated at a table, guests can enjoy fresh baked yeast rolls along with roasted in-shell peanuts. Our Bubba's 33 restaurants feature walls lined with televisions playing a variety of sports events and music videos and are decorated with sports jerseys, neon signs and other local flair.

People

Management Personnel. Each of our restaurants is generally staffed with one managing partner, one kitchen manager, one service manager and one or more additional assistant managers. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Kitchen managers have primary responsibility for managing operations relating to our food preparation and food quality, and service managers have primary responsibility for managing our service quality and guest experiences. The assistant managers support our kitchen and service managers; these managers are collectively responsible for the operations of the restaurant in the absence of a managing partner. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Generally, each market partner may oversee as many as 8 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant's management team and assisting in the site selection process. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concepts, strategies and standards of quality. To further facilitate adherence to our standards of quality and to maximize uniform execution throughout the system, we employ product coaches and service coaches who regularly visit the restaurants to assist in training of both new and existing employees and to grade food and service quality. The attentive service and high quality food, which results from each restaurant having a managing partner, at least two to three managers and the hands-on assistance of a product coach and a service coach, are critical to our success.

Training and Development. All restaurant employees are required to complete varying degrees of training before and during employment. Our comprehensive training program emphasizes our operating strategy, procedures and standards and is conducted individually at our restaurants or in groups in Louisville, Kentucky.

Our managing and market partners are generally required to have significant experience in the full-service restaurant industry and are generally hired at a minimum of nine to 12 months before their placement in a new or existing restaurant to allow time to fully train in all aspects of restaurant operations. All managing partners, kitchen and service managers and other management employees are required to complete an extensive training program of up to 20 weeks, which includes training for every position in the restaurant. Trainees are validated at pre-determined points during their training by a market partner, managing partner, product coach and service coach.

A number of our restaurants have been certified as training centers by our training department. This certification confirms that the training center adheres to established operating procedures and guidelines. Additionally, most restaurants are staffed with training coordinators responsible for ongoing daily training needs.

For new restaurant openings, a full team of designated trainers, each specializing in a specific restaurant position, is deployed to the restaurant at least 10 days before opening. Formal employee training begins seven days before opening and follows a uniform, comprehensive training course as directed by a service coach.

Marketing

Our marketing strategy aims to promote our brands while retaining a localized focus. We strive to increase comparable restaurant sales by increasing the frequency of visits by our current guests and attracting new guests to our restaurants and also by communicating and promoting our brands' food quality, the guest experience and value. We accomplish these objectives through three major initiatives.

Local Restaurant Marketing. Given our strategy to be a neighborhood destination, local restaurant marketing is integral in developing brand awareness in each market. Managing partners are encouraged to participate in creative community-based marketing. We also engage in a variety of promotional activities, such as contributing time, money and complimentary meals to charitable, civic and cultural programs. We employ marketing coordinators at the restaurant and market level to develop and execute the majority of the local marketing strategies.

In-restaurant Marketing. A significant portion of our marketing fund is spent communicating with our guests inside our restaurants through point of purchase materials. We believe special promotions such as Valentine's Day and Mother's Day drive notable repeat business. Our eight-week holiday gift card campaign is one of our most impactful promotions.

Advertising. Our restaurants do not rely on national advertising to promote the brand. Earned media on a local level is a critical part of our strategy that features our products and people. Our restaurants use a permission-based email loyalty program, as well as social media and digital marketing, to promote the brand and engage with our guests. Our approach to media aligns with our focus on local store marketing and community involvement.

Restaurant Franchise Arrangements

Franchise Restaurants. As of December 25, 2018, we had 25 franchisees that operated 91 Texas Roadhouse restaurants in 22 states and nine foreign countries. Domestically, franchise rights are granted for specific restaurants only, as we have not granted any rights to develop a territory in the United States. We are currently not accepting new domestic franchisees. Approximately 75% of our franchise restaurants are operated by nine franchisees and no franchisee operates more than 15 restaurants.

Our standard domestic franchise agreement has a term of 10 years with two renewal options for an additional five years each if certain conditions are satisfied. Our current form of domestic franchise agreement generally requires the franchisee to pay a royalty fee of 4.0% of gross sales. We may, at our discretion, waive or reduce the royalty fee on a temporary or permanent basis. "Gross sales" means the total selling price of all services and products related to the restaurant. Gross sales do not include:

- employee discounts or other discounts;
- tips or gratuities paid directly to employees by guests;
- any federal, state, municipal or other sales, value added or retailer's excise taxes; or
- adjustments for net returns on salable goods and discounts allowed to guests on sales.

Domestic franchisees are currently required to pay 0.3% of gross sales to a national marketing fund for system-wide promotions and related marketing efforts. We have the ability under our agreements to increase the required marketing fund contribution up to 2.5% of gross sales. We may also charge a marketing fee of 0.5% of gross sales, which we may use for market research and to develop system-wide promotional and marketing materials. A franchisee's total required marketing contribution or spending will not be more than 3.0% of gross sales.

Our standard domestic franchise agreement gives us the right, but not the obligation, to compel a franchisee to transfer its assets to us in exchange for shares of our stock, or to convert its equity interests into shares of our stock. The amount of shares that a franchisee would receive is based on a formula that is included in the franchise agreement.

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in several foreign countries. We currently have signed franchise and/or development agreements in nine countries in the Middle East as well as Taiwan, the Philippines, Mexico, China and South Korea. As of December 25, 2018, we had 15 restaurants open in five countries in the Middle East, three restaurants open in Taiwan, two in the Philippines, one in Mexico and one in China for a total of 22 restaurants in nine foreign countries. For the existing international agreements, the franchisee is required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Any of our franchise agreements, whether domestic or international, may be terminated if the franchisee defaults in the performance of any of its obligations under the development or franchise agreement, including its obligations to develop the territory or operate its restaurants in accordance with our standards and specifications. A franchise agreement may also be terminated if a franchisee becomes insolvent, fails to make its required payments, creates a threat to the public health or safety, ceases to operate the restaurant, or misuses the Texas Roadhouse trademarks.

Franchise Compliance Assurance. We have various systems in place to promote compliance with our systems and standards, both during the development and operation of franchise restaurants. We actively work with our franchisees to support successful franchise operations as well as compliance with the Texas Roadhouse standards and procedures. During the restaurant development phase, we consent to the selection of restaurant sites and make available copies of our prototype building plans to franchisees. In addition, we ensure that the building design is in compliance with our standards. We provide training to the managing partner and up to three other managers of a franchisee's first restaurant. We also provide trainers to assist in the opening of every domestic franchise restaurant; we provide trainers to assist our international franchisees in the opening of their restaurants until such time as they develop an approved restaurant opening training program. Finally, on an ongoing basis, we conduct reviews on all franchise restaurants to determine their level of effectiveness in executing our concept at a variety of operational levels. Our franchisees are required to follow the same standards and procedures regarding equipment and food purchases, preparation and safety procedures as we maintain in our company restaurants. Reviews are conducted by seasoned operations teams and focus on key areas including health, safety and execution proficiency.

Management Services. We provide management services to 24 of the franchise restaurants in which we and/or our executive officers have an ownership interest and six additional franchise restaurants in which neither we nor our founder have an ownership interest. Such management services include accounting, operational supervision, human resources, training, and food, beverage and equipment consulting for which we receive monthly fees of up to 2.5% of gross sales. We also make available to these restaurants certain legal services, restaurant employees and employee benefits on a pass-through cost basis. We receive a monthly fee from eight franchise restaurants in which we have an ownership interest and 16 franchise restaurants in which neither we nor our founder have an ownership interest for providing payroll and accounting services.

Information Technology

All of our company restaurants utilize computerized management information systems, which are designed to improve operating efficiencies, provide restaurant and Support Center management with timely access to financial and operating data and reduce administrative time and expense. With our current information systems, we have the ability to query, report and analyze this intelligent data on a daily, weekly, period, quarterly and year-to-date basis and beyond, on a company-wide, regional or individual restaurant basis. Together, this enables us to closely monitor sales, food and beverage costs and labor and operating expenses at each of our restaurants. We have a number of systems and reports that provide comparative information that enables both restaurant and Support Center management to supervise the financial and operational performance of our restaurants and to recognize and understand trends in the business. Our accounting department uses a standard, integrated system to prepare monthly profit and loss statements, which provides a detailed analysis of sales and costs. These monthly profit and loss statements are compared both to the restaurant-prepared reports and to prior periods. Restaurant hardware and software support for all of our restaurants is provided and coordinated from the restaurant Support Center in Louisville, Kentucky. Currently, we utilize cable, digital subscriber lines (DSL) or T-1 technology at the restaurant level, which serves as a high-speed, secure communication link between the restaurants and our Support Center as well as our credit and gift card processors. We guard against business interruption by maintaining a disaster recovery plan, which includes storing critical business information off-site, maintaining a redundant data center, testing the disaster recovery plan and providing on-site power backup.

We accept credit cards and gift cards as payment at our restaurants. We have systems and processes in place that focus on the protection of our guests' credit card information and other private information that we are required to protect, such as our employees' personal information. Our systems have been carefully designed and configured to safeguard against data loss or compromise. We submit our systems to regular audit and review, including the requirements of Payment Card Industry Data Security Standards. We also periodically scan our networks to assess vulnerability. See Risk Factors in Item 1A of this Form 10-K for a discussion of risks associated with breaches of security related to confidential guest and/or employee information.

We believe that our current systems and practice of implementing regular updates will position us well to support current needs and future growth. Information systems projects are prioritized based on strategic, financial, regulatory and other business advantage criteria.

Competition

Competition in the restaurant industry is intense. We compete with well-established food service companies on the basis of taste, quality and price of the food offered, service, atmosphere, location, take-out and delivery options and overall dining experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from meal kit delivery services as well as the supermarket industry. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Although we believe that we compete favorably with respect to each of the above factors, other restaurants and retail establishments compete for the same casual dining guests, quality site locations and restaurant-level employees as we do. We expect intense competition to continue in all of these areas.

Trademarks

Our registered trademarks and service marks include, among others, our trade names and our logo and proprietary rights related to certain core menu offerings. We have registered all of our significant marks for our restaurants with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in 50 foreign jurisdictions. To better protect our brand, we have also registered various Internet domain names. We believe that our trademarks, service marks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts.

Government Regulation

We are subject to a variety of federal, state, local and international laws affecting our business. For a discussion of the risks and potential impact on our business of a failure by us to comply with applicable laws and regulations, see Item 1A, Risk Factors.

Each of our restaurants is subject to permitting and licensing requirements and regulations by a number of government authorities, which may include, among others, alcoholic beverage control, health and safety, sanitation, labor, zoning and public safety agencies in the state and/or municipality in which each restaurant is located. The development and operation of restaurants depends on selecting and acquiring suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations. In addition to domestic regulations, our international business exposes us to additional regulations, including antitrust and tax requirements, anti-boycott legislation, import/export and customs regulations and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans-fat, salt and allergen content. On May 7, 2018, new federal regulations went into effect under the Patient Protection and Affordable Care Act of 2010 ("PPACA") requiring new menu nutritional labeling requirements. This new federal law supersedes previous food and menu nutritional labeling requirements adopted by state and local jurisdictions. However, future regulatory action may occur as a result of the current political environment which could result in changes in the federal nutritional disclosure requirements.

In 2018, the sale of alcoholic beverages accounted for 10.7% of our Texas Roadhouse restaurant sales. In order to serve alcoholic beverages in our restaurants, we must comply with alcoholic beverage control regulations which require each of our restaurants to apply to a state authority, and, in certain locations, county or municipal authorities, for a license or permit to sell alcoholic beverages on the premises. These licenses or permits must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations affect numerous aspects of restaurant operations, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. State and local authorities in many jurisdictions routinely monitor compliance with alcoholic beverage laws. The failure of a restaurant to obtain or retain these licenses or permits would have a material adverse effect on the restaurant's operations. We are also subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Consistent with industry standards, we carry liquor liability coverage as part of our existing comprehensive general liability insurance as well as excess umbrella coverage.

Our restaurant operations are also subject to federal and state labor laws governing such matters as minimum and tipped wage requirements, overtime pay, health benefits, unemployment taxes, workers' compensation, work eligibility requirements, working conditions, safety standards, and hiring and employment practices. We have many restaurants located in states or municipalities where the minimum and/or tipped wage is greater than the federal minimum and/or tipped wage. In 2016, the Department of Labor published changes related to the Fair Labor Standards Act ("FLSA") which resulted in changes to the threshold for overtime pay. The changes were scheduled to go into effect on December 1, 2016, however, in late November 2016, a federal judge blocked the implementation. Despite the injunction, we implemented the changes to our overtime policies as originally planned. We have implemented the provisions of the PPACA as it relates to health care reform and related rules and regulations and continue to monitor the impact of this law on our business. We anticipate that additional legislation increasing minimum and/or tipped wage standards will be enacted in future periods and in other jurisdictions. Further regulatory action may occur as a result of the current political environment which could result in changes to healthcare eligibility, design and cost structure.

A significant number of our hourly restaurant personnel receive tips as part of their compensation and are paid at or above a minimum wage rate after giving effect to applicable tips. We rely on our employees to accurately disclose the full amount of their tip income. We base our FICA tax reporting on the disclosures provided to us by such tipped employees.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 ("ADA") and related state accessibility statutes. Under the ADA and related state laws, we must provide equivalent service to disabled persons and make reasonable accommodation for their employment. In addition, when constructing or undertaking remodeling of our restaurants, we must make those facilities accessible.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information.

Seasonality

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease.

Employees

As of December 25, 2018, we employed approximately 64,900 people. This amount includes 648 executive and administrative personnel and 2,361 restaurant management personnel, while the remainder were hourly restaurant personnel. Many of our hourly restaurant employees work part-time. None of our employees are covered by a collective bargaining agreement.

Executive Officers of the Company

Set forth below are the name, age, position and a brief account of the business experience of each of our executive officers:

Name	Age	Position
W. Kent Taylor	63	Chairman and Chief Executive Officer
Scott M. Colosi	54	President
Celia P. Catlett.	42	General Counsel and Corporate Secretary
S. Chris Jacobsen.	53	Chief Marketing Officer
Tonya R. Robinson	50	Chief Financial Officer
Douglas W. Thompson	55	Chief Operating Officer

W. Kent Taylor. Mr. Taylor founded Texas Roadhouse in 1993. He resumed his role as Chief Executive Officer in August 2011, a position he held between May 2000 and October 2004. He was named Chairman of the Company and Board in October 2004. Before his founding of our concept, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor has over 35 years of experience in the restaurant industry.

Scott M. Colosi. Mr. Colosi was appointed President in August 2011. Previously, Mr. Colosi served as our Chief Financial Officer from September 2002 to August 2011 and from January 2015 to May 2018. From 1992 until September 2002, Mr. Colosi was employed by YUM! Brands, Inc., owner of the KFC, Pizza Hut and Taco Bell brands. During this time, Mr. Colosi served in various financial positions and, immediately prior to joining us, was Director of Investor Relations. Mr. Colosi has over 25 years of experience in the restaurant industry.

Celia P. Catlett. Ms. Catlett was appointed General Counsel in November 2013. She joined Texas Roadhouse in May 2005 and served as Associate General Counsel from July 2010 until her appointment as General Counsel. She has served as Corporate Secretary since 2011. Prior to joining us, Ms. Catlett practiced law in New York City. Ms. Catlett has over 15 years of legal experience, including more than 10 years of experience in the restaurant industry.

S. Chris Jacobsen. Mr. Jacobsen was appointed Chief Marketing Officer in February 2016. Mr. Jacobsen joined Texas Roadhouse in January 2003 and has served as Vice President of Marketing since 2011. Prior to joining us, Mr. Jacobsen was employed by Papa John's International and Waffle House, Inc. where he held various senior level marketing positions. He has over 20 years of restaurant industry experience.

Tonya R. Robinson. Ms. Robinson was appointed Chief Financial Officer in May 2018. She joined Texas Roadhouse in December 1998, during which time she has held the positions of Controller, Director of Financial Reporting and Vice President of Finance and Investor Relations. Ms. Robinson has over 20 years of restaurant industry experience.

Douglas W. Thompson. Mr. Thompson was appointed Chief Operating Officer in August 2018. He joined Texas Roadhouse in 2002 as a Market Partner and has served as our Vice President of Operations since 2015. Before joining the company, Mr. Thompson was a single and multi-unit operator with both Outback Steakhouse, Inc. and Bennigan's Restaurants. Mr. Thompson has over 30 years of restaurant industry experience.

Website Access to Reports

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, available, free of charge on or through our Internet website, www.texasroadhouse.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

From time to time, in periodic reports and oral statements and in this Annual Report on Form 10-K, we present statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements.

Careful consideration should be given to the risks described below. If any of the risks and uncertainties described in the cautionary factors described below actually occurs, our business, financial condition and results of operations, and the trading price of our common stock could be materially and adversely affected. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all these factors on our business, financial condition or results of operations.

Risks Related to our Growth and Operating Strategy

If we fail to manage our growth effectively, it could harm our business.

Failure to manage our growth effectively could harm our business. We have grown significantly since our inception and intend to continue growing in the future. Our objective is to grow our business and increase stockholder value by (1) expanding our base of company restaurants (and, to a lesser extent, franchise restaurants) that are profitable and (2) increasing sales and profits at existing restaurants. While both these methods of achieving our objective are important to us, historically the most significant means of achieving our objective has been through opening new restaurants and operating these restaurants on a profitable basis. As we open and operate more restaurants, our rate of expansion relative to the size of our existing restaurant base will decline, which may make it increasingly difficult to achieve levels of sales and profitability growth that we have seen in the past. In addition, our existing restaurant management systems, financial and management controls and information systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We also place a lot of importance on our culture, which we believe has been an important contributor to our success. As we grow, we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations. We cannot assure you that we will be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure. If we are unable to manage our growth effectively, our business and operating results could be materially adversely impacted.

Our growth strategy, which primarily depends on our ability to open new restaurants that are profitable, is subject to many factors, some of which are beyond our control.

We cannot assure you that we will be able to open new restaurants in accordance with our expansion plans. We have experienced delays in opening some of our restaurants in the past and may experience delays in the future. Delays or failures in opening new restaurants could materially adversely affect our growth strategy. One of our biggest challenges in executing our growth strategy is locating and securing an adequate supply of suitable new restaurant sites. Competition for suitable restaurant sites in our target markets is intense. Our ability to open new restaurants will also depend on numerous other factors, some of which are beyond our control, including, but not limited to, the following:

- our ability to find sufficient suitable locations for new restaurant sites;

- our ability to hire, train and retain qualified operating personnel, especially market partners and managing partners;
- our ability to negotiate suitable purchase or lease terms;
- the availability of construction materials and labor;
- our ability to control construction and development costs of new restaurants;
- our ability to secure required governmental approvals and permits in a timely manner, or at all;
- the delay or cancellation of new site development by developers and landlords;
- our ability to secure liquor licenses;
- general economic conditions;
- the cost and availability of capital to fund construction costs and pre-opening expenses; and
- the impact of inclement weather, natural disasters and other calamities.

Once opened, we anticipate that our new restaurants will generally take several months to reach planned operating levels due to start-up inefficiencies typically associated with new restaurants. We cannot assure you that any restaurant we open will be profitable or obtain operating results similar to those of our existing restaurants. Some of our new restaurants will be located in areas where we have little or no meaningful experience. Restaurants opened in new markets may open at lower average weekly sales volume than restaurants opened in existing markets and may have higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average unit volume, if at all, thereby affecting our overall profitability. Our ability to operate new restaurants profitably will depend on numerous factors, including those discussed below impacting our average unit volume and comparable restaurant sales growth, some of which are beyond our control, including, but not limited to, the following:

- competition, either from our competitors in the restaurant industry or our own restaurants;
- consumer acceptance of our restaurants in new domestic or international markets;
- changes in consumer tastes and/or discretionary spending patterns;
- lack of market awareness of our brands;
- the ability of the market partner and the managing partner to execute our business strategy at the new restaurant;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- changes in government regulation;
- road construction and other factors limiting access to the restaurant; and
- the impact of inclement weather, natural disasters and other calamities.

Our failure to successfully open new restaurants that are profitable in accordance with our growth strategy could harm our business and future prospects. In addition, our inability to open new restaurants and provide growth opportunities for our employees could result in the loss of qualified personnel which could harm our business and future prospects.

You should not rely on past changes in our average unit volume or our comparable restaurant sales growth as an indication of our future results of operations because they may fluctuate significantly.

A number of factors have historically affected, and will continue to affect, our average unit volume and comparable restaurant sales growth, including, among other factors:

- consumer awareness and understanding of our brands;
- our ability to execute our business strategy effectively;
- unusual initial sales performance by new restaurants;
- competition, either from our competitors in the restaurant industry or our own restaurants;
- the impact of inclement weather, natural disasters and other calamities;
- consumer trends and seasonality;
- our ability to increase menu prices without adversely impacting guest traffic counts or per person average check growth;
- introduction of new menu items;
- negative publicity regarding food safety, health concerns, quality of service, and other food or beverage related matters, including the integrity of our or our suppliers' food processing;
- general economic conditions, which can affect restaurant traffic, local labor costs and prices we pay for the food products and other supplies we use; and
- effects of actual or threatened terrorist attacks.

Our average unit volume and comparable restaurant sales growth may not increase at rates achieved in the past, which may affect our sales growth and will continue to be a critical factor affecting our profitability. In addition, changes in our average unit volume and comparable restaurant sales growth could cause the price of our common stock to fluctuate substantially.

The development of new restaurant concepts may not contribute to our growth.

The development of new restaurant concepts may not be as successful as our experience in the development of the Texas Roadhouse concept. In May 2013, we launched a new concept, Bubba's 33, a family-friendly, sports restaurant, which currently has lower brand awareness and less operating experience than most Texas Roadhouse restaurants and a higher initial investment cost. As a result, the development of the Bubba's 33 concept may not contribute to our average unit volume growth and/or profitability in a meaningful way. As of December 25, 2018, we have expanded the concept to 25 restaurants and expect to open as many as four additional locations in 2019. However, we can provide no assurance that new units will be accepted in the markets targeted for the expansion of this concept or that we will be able to achieve our targeted returns when opening new locations. In the future, we may determine not to move forward with any further expansion of Bubba's 33 or other concepts. These decisions could limit our overall long-term growth. Additionally, expansion of Bubba's 33 or other concepts might divert our management's attention from other business concerns and could have an adverse impact on our core Texas Roadhouse business.

Our expansion into international markets may present increased economic, political, regulatory and other risks.

As of December 25, 2018, our operations include 22 Texas Roadhouse franchise restaurants in nine countries outside the United States, and we expect to have further international expansion in the future. The entrance into international markets may not be as successful as our experience in the development of the Texas Roadhouse concept domestically or any success we have had in international restaurants. In addition, operating in international markets may require significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations involve risks that could adversely affect our business, including:

- the need to adapt our brand for specific cultural and language differences;
- new and different sources of competition;
- the ability to identify appropriate business partners;
- difficulties and costs associated with staffing and managing foreign operations;
- difficulties in adapting and sourcing product specifications for international restaurant locations;
- fluctuations in currency exchange rates, which could impact revenues and expenses of our international operations and expose us to foreign currency exchange rate risk;
- difficulties in complying with local laws, regulations, and customs in foreign jurisdictions;
- unexpected changes in regulatory requirements;
- political or social unrest, economic instability and destabilization of a region;
- effects of actual or threatened terrorist attacks;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and similar laws in foreign jurisdictions;
- differences in enforceability and registration of intellectual property and contract rights;
- adverse tax consequences;
- profit repatriation and other restrictions on the transfer of funds; and
- different and more stringent user protection, data protection, privacy and other laws.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business and results of our operations.

We are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs, tariffs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

Acquisition of existing restaurants from our domestic franchisees and other strategic initiatives may have unanticipated consequences that could harm our business and our financial condition.

We plan to opportunistically acquire existing restaurants from our domestic franchisees over time. Additionally, from time to time, we evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. To successfully execute any acquisition or development strategy, we will need to identify suitable acquisition or development candidates, negotiate acceptable acquisition or development terms and obtain appropriate financing.

Any acquisition or future development that we pursue, including the on-going development of new concepts, whether or not successfully completed, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition or development as the restaurants are integrated into our operations;

- risks associated with entering into new domestic or international markets or conducting operations where we have no or limited prior experience;

- risks inherent in accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates, and our ability to achieve projected economic and operating synergies; and

- the diversion of management's attention from other business concerns.

Future acquisitions of existing restaurants from our franchisees or other strategic partners, which may be accomplished through a cash purchase transaction, the issuance of shares of common stock or a combination of both, could have a dilutive impact on holders of our common stock, and result in the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other tangible and intangible assets, any of which could harm our business and financial condition.

Approximately 14% of our company restaurants are located in Texas and, as a result, we are sensitive to economic and other trends and developments in that state.

As of December 25, 2018, we operated a total of 67 company restaurants in Texas. As a result, we are particularly susceptible to adverse trends and economic conditions in this state, including its labor market. In addition, given our geographic concentration in this state, negative publicity regarding any of our restaurants in Texas could have a material adverse effect on our business and operations, as could other occurrences in Texas such as local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, fires or other natural disasters.

Changes in consumer preferences and discretionary spending could adversely affect our business.

Our success depends, in part, upon the popularity of our food products. Continued social concerns or shifts in consumer preferences away from our restaurants or cuisine, particularly beef, would harm our business. Also, our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to a number of factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings and related expenses;

- restaurant operating costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;

- labor availability and costs for hourly and management personnel including mandated changes in federal and/or state minimum and tipped wage rates, overtime regulations, state unemployment taxes, or health benefits;

- profitability of our restaurants, particularly in new markets;

- changes in interest rates;

- the impact of litigation, including negative publicity;
- increases and decreases in average unit volume and comparable restaurant sales growth;
- impairment of long-lived assets, including goodwill, and any loss on restaurant relocations or closures;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- negative publicity regarding food safety, health concerns and other food and beverage related matters, including the integrity of our or our suppliers' food processing;
- negative publicity relating to the consumption of beef or other products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new domestic and/or international markets;
- adverse weather conditions which impact guest traffic at our restaurants;
- increases in infrastructure costs;
- adoption of new, or changes in existing, accounting policies or practices;
- changes in and/or interpretations of federal and state tax laws;
- actual self-insurance claims varying from actuarial estimates;
- fluctuations in commodity prices;
- competitive actions; and
- the impact of inclement weather, natural disasters and other calamities.

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock could decrease.

Risks Related to the Restaurant Industry

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Any increase in food prices, particularly proteins, could adversely affect our operating results. In addition, we are susceptible to increases in food costs as a result of factors beyond our control, such as food supply constrictions, weather conditions, food safety concerns, product recalls, global market and trade conditions, and government regulations. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term results could be negatively affected. Also, if we adjust pricing there is no assurance that we will realize the full benefit of any adjustment due to changes in our guests' menu item selections and guest traffic.

We currently purchase the majority of our beef from three beef suppliers under annual contracts. While we maintain relationships with additional suppliers, if any of these vendors were unable to fulfill its obligations under its contracts, we could encounter supply shortages and incur higher costs to secure adequate supplies, either of which would harm our business.

Our business could be adversely affected by increased labor costs or labor shortages.

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our restaurant managers and hourly employees. Increased labor costs due to competition, unionization, increased minimum and tipped wages, changes in overtime pay, state unemployment rates or employee benefits costs, or otherwise would adversely impact our operating expenses.

Increased competition for qualified employees caused by a shortage in the labor pool exerts upward pressure on wages paid to attract and retain such personnel, resulting in higher labor costs, together with greater recruitment and training expense. We could suffer from significant indirect costs, including restaurant disruptions due to management or hourly labor turnover and potential delays in new restaurant openings. A shortage in the labor pool could also cause our restaurants to be required to operate with reduced staff which could negatively impact our ability to provide adequate service levels to our guests resulting in adverse guest reactions and a possible reduction in guest traffic counts.

We have many restaurants located in states or municipalities where the minimum and/or tipped wage is greater than the federal minimum and/or tipped wage. We anticipate that additional legislation increasing minimum and/or tipped wage standards will be enacted in future periods and in other jurisdictions. In 2016, the Department of Labor published changes related to the Fair Labor Standards Act ("FLSA") which resulted in changes to the threshold for overtime pay. The changes were scheduled to go into effect on December 1, 2016, however, in late November 2016, a federal judge blocked the implementation. Despite the injunction, we implemented the changes to our overtime policy as originally defined by the Department of Labor. We implemented the provisions of the Patient Protection and Affordable Care Act of 2010 ("PPACA") as it relates to health care reform and related rules and regulations and continue to monitor the impact of this law on our business. Further regulatory action may occur as a result of the current political environment which could result in changes to healthcare eligibility, design and cost structure. Any increases in minimum or tipped wages or increases in employee benefits costs will result in higher labor costs.

Our operating margin will be adversely affected to the extent that we are unable or are unwilling to offset any increase in these labor costs through higher prices on our products. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards which could result in higher costs for goods and services supplied to us. Our success depends on our ability to attract, motivate and retain qualified employees to keep pace with our growth strategy. If we are unable to do so, our results of operations may also be adversely affected.

Our objective to increase sales and profits at existing restaurants could be adversely affected by macroeconomic conditions.

During 2019 and beyond, the U.S. and global economies could suffer from a downturn in economic activity. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could adversely affect the demand for our products. As in the past, we could experience reduced guest traffic or we may be unable or unwilling to increase the prices we can charge for our products to offset higher costs or fewer transactions, either of which could reduce our sales and profit margins. Also, landlords or other tenants in the shopping centers in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could in turn negatively affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our business, results of operations, financial condition or liquidity.

Our success depends on our ability to compete with many food service businesses.

The restaurant industry is intensely competitive. We compete with many well-established food service companies on the basis of taste, quality and price of products offered, guest service, atmosphere, location, take-out and delivery options and overall guest experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from meal kit delivery services as well as the supermarket industry. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing and the casual dining segment of the restaurant industry better than we can. As our competitors expand their operations, we expect competition to intensify. We also compete with other restaurant chains and other retail establishments for quality site locations and employees.

The food service industry is affected by litigation and publicity concerning food quality, health and other issues, which can cause guests to avoid our restaurants and result in significant liabilities or litigation costs.

Food service businesses can be adversely affected by litigation and complaints from guests, consumer groups or government authorities resulting from food quality, illness, injury or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. Adverse publicity about these allegations may negatively affect us, regardless of whether the allegations are true, by discouraging guests from eating at our restaurants. We could also incur significant liabilities if a lawsuit or claim results in a decision against us or litigation costs regardless of the result.

Our business could be adversely affected by our inability to respond to or effectively manage social media.

Given the marked increase in the use of social media platforms along with smart phones in recent years, individuals have access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information concerning our company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our business. The harm may be immediate without affording us an opportunity for redress or correction. These factors could have a material adverse effect on our business.

As part of our marketing strategy, we utilize social media platforms to promote our brands and attract and retain guests. Our strategy may not be successful, resulting in expenses incurred without improvement in guest traffic or brand relevance. In addition, a variety of risks are associated with the use of social media, including improper disclosure of proprietary information, negative comments about us, exposure of personally identifiable information, fraud, or dissemination of false information. The inappropriate use of social media vehicles by our guests or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation and adversely affect our results of operations.

Health and social concerns relating to the consumption of beef or other food products could affect consumer preferences and could negatively impact our results of operations.

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality and food safety, including food-borne illnesses. In addition, consumer preferences may be impacted by current and future menu-labeling requirements. A number of jurisdictions around the U.S. have adopted regulations requiring that chain restaurants include calorie information on their menu boards or make other nutritional information available. In May 2018, new federal disclosure requirements went into effect under PPACA requiring new menu nutritional labeling requirements. However, future regulatory action may occur as a result of the current political environment which could result in changes in the federal nutritional disclosure requirements. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general. The labeling requirements and any negative publicity concerning any of the food products we serve may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the labeling requirements or negative publicity by changing our concept or our menu offerings or their ingredients, we may lose guests who do not prefer the new concept or products, and we may not be able to attract sufficient new guests to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended guests as a result of a change in our concept and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

Food safety and food-borne illness concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety is a top priority, and we dedicate substantial resources to help our guests enjoy safe, quality food products. However, food-borne illnesses and food safety issues occur in the food industry from time to time. Any report or publicity, whether true or not, linking us to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect our brands and reputation as well as our revenue and profits. In addition, instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our revenue and profits.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our restaurants. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some restaurants. Furthermore, any instances of food contamination, whether or not at our restaurants, could subject us or our suppliers to a food recall.

The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as Hepatitis A, Norovirus, Ebola, Avian Flu, SARS and H1N1. To the extent that a virus is food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product. To the extent that a virus is transmitted by human-to-human contact, our employees or guests could become infected, or could choose, or be advised or required, to avoid gathering in public places, any one of which could adversely affect our business.

The possibility of future misstatement exists due to inherent limitations in our control systems, which could adversely affect our business.

We cannot be certain that our internal control over financial reporting and disclosure controls and procedures will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake, which could have an adverse impact on our business.

We rely heavily on information technology, and any material failure, weakness or interruption could prevent us from effectively operating our business.

We rely heavily on information systems in all aspects of our operations, including point-of-sale systems, financial systems, marketing programs, cyber-security and various other processes and transactions. Our point-of-sale processing in our restaurants includes payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. As our business needs continue to evolve, these systems will require upgrading and maintenance over time, consequently requiring significant future commitments of resources and capital. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms could result in delays in guest service and reduce efficiency in our operations.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs.

Some business processes are currently outsourced to third parties. Such processes include information technology processes, gift card tracking, credit card authorization and processing, insurance claims processing, payroll tax filings, check payment processing, and other accounting processes. We also continue to evaluate our other business processes to determine if additional outsourcing is a viable option to accomplish our goals. We make a diligent effort to validate that all providers of outsourced services maintain customary internal controls, such as redundant processing facilities and adequate security frameworks to guard against breaches or data loss; however, there are no guarantees that failures will not occur. Failure of third parties to provide adequate services or internal controls over their processes could have an adverse effect on our results of operations, financial condition or ability to accomplish our financial and management reporting.

We may incur costs and adverse revenue consequences resulting from breaches of security related to confidential guest and/or employee information or the fraudulent use of credit cards.

The nature of our business involves the receipt and storage of information about our guests and employees. Hardware, software or other applications we develop and procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems and facilities through fraud, trickery or other forms of deceiving our employees or vendors. In addition, we accept electronic payment cards for payment in our restaurants. During 2018, approximately 79% of our transactions were by credit or debit cards, and such card usage could increase. Other retailers have experienced actual or potential security breaches in which credit and debit card along with employee information may have been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of alleged theft of guest and/or employee information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses in excess of our insurance coverage, which could have a material adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations may result in material adverse revenue consequences for us and our restaurants.

In recent years, the payment card industry began to shift liability for certain transactions to retailers who are not able to accept Europay, Mastercard, and Visa ("EMV") chip card transactions. We are in the process of implementing EMV chip card technology. Until the implementation of EMV chip card technology is completed by us, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to additional transaction fees, which could have an adverse effect on our business, financial condition and cash flows.

We may not be able to obtain and maintain licenses and permits necessary to operate our restaurants and compliance with governmental laws and regulations could adversely affect our operating results.

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time, sometimes without notice to us. The failure to obtain and maintain these licenses, permits and approvals, including liquor licenses, could adversely affect our operating results. Difficulties or failure to obtain the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may revoke, suspend or deny renewal of our liquor licenses if they determine that our conduct violates applicable regulations.

In addition to our having to comply with these licensing requirements, various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum and tipped wage requirements, overtime pay, health benefits, unemployment taxes, workers' compensation, work eligibility requirements and working conditions. A number of factors could adversely affect our operating results, including:

- additional government-imposed increases in minimum and/or tipped wages, overtime pay, paid leaves of absence, sick leave, and mandated health benefits;
- increased tax reporting and tax payment requirements for employees who receive gratuities;
- any failure of our employees to comply with laws and regulations governing citizenship or residency requirements resulting in disruption of our work force and adverse publicity;
- a reduction in the number of states that allow gratuities to be credited toward minimum wage requirements; and
- increased employee litigation including claims under federal and/or state wage and hour laws.

The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations, for disabled persons.

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

We own certain common law trademark rights and a number of federal and international trademark and service mark registrations, including our trade names and logos, and proprietary rights relating to certain of our core menu offerings. We believe that our trademarks and other proprietary rights are important to our success and our competitive position. Therefore, we devote appropriate resources to the protection of our trademarks and proprietary rights. However, the protective actions that we take may not be enough to prevent unauthorized usage or imitation by others, which could harm our image, brand or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal fees. Our inability to register or protect our marks and other propriety rights in foreign jurisdictions could adversely affect our competitive position in international markets.

We cannot assure you that third parties will not claim that our trademarks or menu offerings infringe upon their proprietary rights. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause delays in introducing new menu items in the future or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations, financial condition or liquidity.

We are subject to increasing legal complexity and could be party to litigation that could adversely affect us.

Increasing legal complexity will continue to affect our operations and results. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, claims alleging violations of federal and state laws regarding consumer, workplace and employment matters, wage and hour claims, discrimination and similar matters, landlord/tenant disputes, disputes with current and former suppliers, claims by current and former franchisees, and intellectual property claims (including claims that we infringed upon another party's trademarks, copyrights or patents). Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to litigation which could result in significant judgments, including punitive and liquidated damages, and injunctive relief.

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for an illness or injury they suffered as a result of a visit to our restaurants, or that we have problems with food quality or operations. In addition, we are subject to "dram shop" statutes. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some litigation against restaurant chains has resulted in significant judgments, including punitive damages, under dram shop statutes. Because a plaintiff may seek punitive damages, which may not be covered by insurance, this type of action could have an adverse impact on our financial condition and results of operations.

Litigation involving our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes, if determined adversely, could increase costs, negatively impact the business prospects of our franchisees and subject us to incremental liability for their actions. We are also subject to the legal and compliance risks associated with privacy, data collection, protection and management, in particular as it relates to information we collect when we provide optional technology-related services to franchisees.

Our operating results could also be affected by the following:

- The relative level of our defense costs and nature and procedural status of pending proceedings;
- The cost and other effects of settlements, judgments or consent decrees, which may require us to make disclosures or to take other actions that may affect perceptions of our brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition and preparation of our products, or the appropriateness or accuracy of our marketing or other communication practices; and
- The scope and terms of insurance or indemnification protections that we may have.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment significantly in excess of any applicable insurance coverage could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from these claims may hurt our business.

Our current insurance may not provide adequate levels of coverage against claims.

We currently maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such damages could have a material adverse effect on our business, results of operations and/or liquidity. In addition, we self-insure a significant portion of expected losses under our health, workers' compensation, general liability, employment practices liability and property insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our financial condition, results of operations and liquidity.

Decreased cash flow from operations, or an inability to access credit could negatively affect our business initiatives or may result in our inability to execute our revenue, expense, and capital allocation strategies.

Our ability to fund our operating plans and to implement our capital allocation strategies depends on sufficient cash flow from operations and/or other financing, including the use of funding under our amended revolving credit facility. We also may seek access to the debt and/or equity capital markets. There can be no assurance, however, that these sources of financing will be available on terms favorable to us, or at all. Our capital allocation strategies include, but are not limited to, new restaurant development, payment of dividends, refurbishment or relocation of existing restaurants, repurchases of our common stock and franchise acquisitions. If we experience decreased cash flow from operations, our ability to fund our operations and planned initiatives, and to take advantage of growth opportunities, may be delayed or negatively affected. In addition, these disruptions or a negative effect on our revenues could affect our ability to borrow or comply with our covenants under our amended revolving credit facility. If we are unable to raise additional capital, our growth could be impeded.

Our existing credit facility limits our ability to incur additional debt.

The lenders' obligation to extend credit under our amended revolving credit facility depends on our maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. If we are unable to maintain these ratios, we would be unable to obtain additional financing under this amended revolving credit facility. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate is equal to or greater than $125.0 million and 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. If we are unable to borrow additional capital, our growth could be impeded.

We may be required to record additional impairment charges in the future.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to company restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any company restaurant, the estimated undiscounted future cash flows for the restaurant are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge would be recorded equal to the difference between the carrying value and the estimated fair value.

We also review the value of our goodwill on an annual basis and when events or changes in circumstances indicate that the carrying value of goodwill or other intangible assets may exceed the fair value of such assets. The estimates of fair value are based upon the best information available as of the date of the assessment and incorporate management assumptions about expected future cash flows and contemplate other valuation measurements and techniques.

The estimates of fair value used in these analyses require the use of judgment, certain assumptions and estimates of future operating results. If actual results differ from our estimates or assumptions, additional impairment charges may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

Failure to retain the services of our key management personnel, or to successfully execute succession planning and attract additional qualified personnel could harm our business.

Our future success depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to motivate and retain these and other key officers and managers, particularly regional market partners, market partners and managing partners. Competition for these employees is intense. The loss of the services of members of our senior management team or other key officers or managers or the inability to attract additional qualified personnel as needed could materially harm our business. In addition, our business could suffer from the misconduct of any of our key personnel.

Our franchisees could take actions that could harm our business.

Our franchisees are contractually obligated to operate their restaurants in accordance with Texas Roadhouse standards. We also provide training and support to franchisees. However, most franchisees are independent third parties that we do not control, and these franchisees own, operate and oversee the daily operations of their restaurants. As a result, the ultimate success and quality of any franchise restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with our standards, the Texas Roadhouse image and reputation could be harmed, which in turn could adversely affect our business and operating results.

Risks Related to Our Corporate Structure, Our Stock Ownership and Our Common Stock

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by a third party.

Our certificate of incorporation and by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. These provisions include, among other things, advance notice for raising business or making nominations at meetings and "blank check" preferred stock. Blank check preferred stock enables our Board of Directors, without approval of the stockholders, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, as our Board of Directors may determine. The issuance of blank check preferred stock may adversely affect the voting and other rights of the holders of our common stock as our Board of Directors may designate and issue preferred stock with terms that are senior to our common stock. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

The Delaware General Corporation Law prohibits us from engaging in "business combinations" with "interested shareholders" (with some exceptions) unless such transaction is approved in a prescribed manner. The existence of this provision could have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for our common stock.

There can be no assurance that we will continue to pay dividends on our common stock.

Payment of cash dividends on our common stock is subject to compliance with applicable laws and depends on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, business prospects and other factors that our Board of Directors may deem relevant. Although we have paid dividends in the past, there can be no assurance that we will continue to pay any dividends in the future.

Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our common stock.

We value constructive input from our stockholders and the investment community. Our Board of Directors and management team are committed to acting in the best interests of all of our stockholders. There is no assurance that the actions taken by our Board of Directors and management in seeking to maintain constructive engagement with our stockholders will be successful.

Responding to actions by activist shareholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plan. The perceived uncertainties as to our future direction also resulting from activist strategies could also affect the market price and volatility of our common stock.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Properties

Our Support Center is located in Louisville, Kentucky. We occupy this facility under a master lease with Paragon Centre Holdings, LLC, a limited liability company in which we have a minority ownership position. As of December 25, 2018, we leased 128,066 square feet. Our lease expires October 31, 2048 including all applicable extensions. Of the 491 company restaurants in operation as of December 25, 2018, we owned 143 locations and leased 348 locations, as shown in the following table.

State	Owned	Leased	Total
Alabama	3	5	8
Alaska	—	2	2
Arizona	6	12	18
Arkansas	—	5	5
California	1	3	4
Colorado	7	9	16
Connecticut	—	5	5
Delaware	1	1	2
Florida	7	27	34
Georgia	3	6	9
Idaho	1	4	5
Illinois	3	12	15
Indiana	12	8	20
Iowa	2	7	9
Kansas	2	4	6
Kentucky	4	8	12
Louisiana	2	7	9
Maine	—	3	3
Maryland	—	8	8
Massachusetts	1	9	10
Michigan	3	11	14
Minnesota	1	3	4
Mississippi	1	2	3
Missouri	2	14	16
Nebraska	1	2	3
Nevada	—	2	2
New Hampshire	2	1	3
New Jersey	—	9	9
New Mexico	1	4	5
New York	3	16	19
North Carolina	5	14	19
North Dakota	—	2	2
Ohio	12	19	31
Oklahoma	2	5	7
Oregon	—	2	2
Pennsylvania	3	21	24
Rhode Island	—	3	3
South Carolina	—	2	2
South Dakota	1	1	2
Tennessee	—	14	14
Texas	37	30	67
Utah	1	8	9
Vermont	—	1	1
Virginia	6	9	15
Washington	—	1	1
West Virginia	1	1	2
Wisconsin	4	6	10
Wyoming	2	—	2
Total	143	348	491

Additional information concerning our properties and leasing arrangements is included in note 2(p) and note 8 to the Consolidated Financial Statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 3—LEGAL PROCEEDINGS

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including "slip and fall" accidents, employment related claims, claims related to our service of alcohol, and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us and, as of the date of this report, we are not party to any litigation that we believe could have a material adverse effect on our business.

ITEM 4—MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5—MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Global Select Market under the symbol TXRH.

The number of holders of record of our common stock as of February 13, 2019 was 197.

On February 13, 2019, our Board of Directors authorized the payment of a cash dividend of $0.30 per share of common stock. This payment will be distributed on March 29, 2019, to shareholders of record at the close of business on March 13, 2019. In 2011, our Board of Directors declared our first quarterly dividend of $0.08 per share of common stock. We have consistently grown our per share dividend each year since that time and our long term strategy includes increasing our regular quarterly dividend amount over time. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

Unregistered Sales of Equity Securities

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

Issuer Repurchases of Securities

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. For the year ended December 25, 2018, we did not repurchase any shares of common stock. As of December 25, 2018, we had approximately $69.9 million remaining under our authorized repurchase program. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

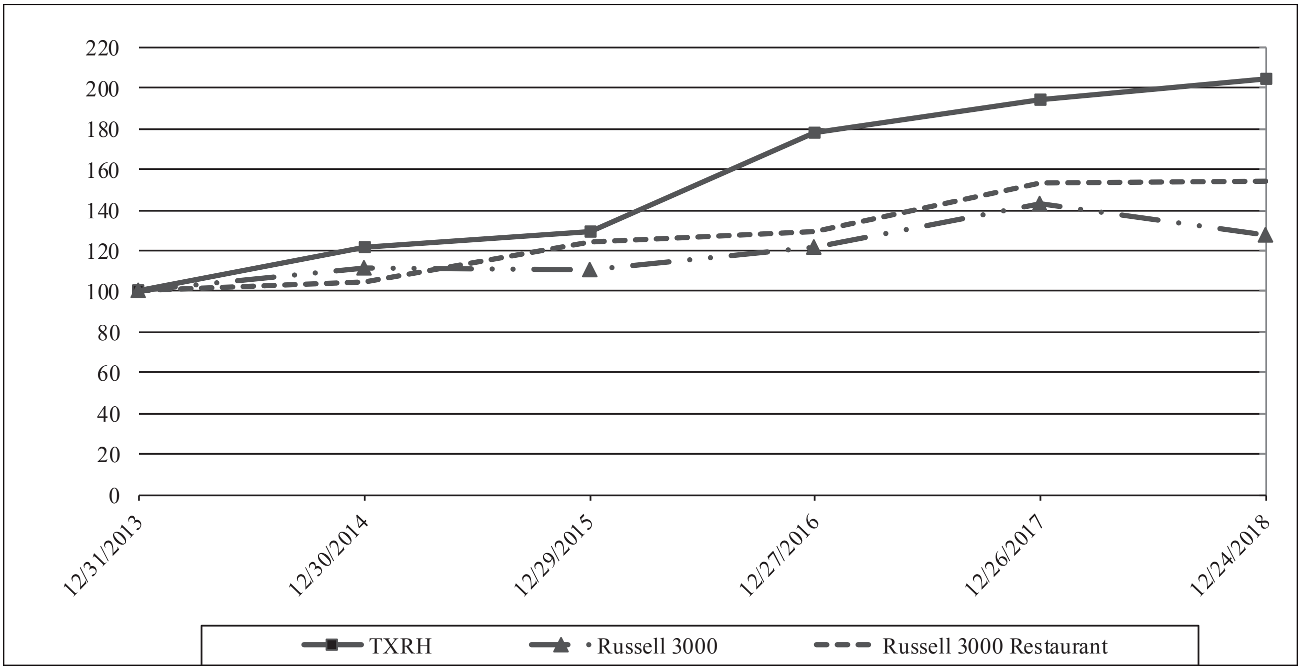
Since commencing our repurchase program in 2008, we have repurchased a total of 14,844,851 shares of common stock at a total cost of $216.6 million through December 25, 2018 under authorizations from our Board of Directors.

Stock Performance Graph

The following graph sets forth cumulative total return experienced by holders of the Company's common stock compared to the cumulative total return of the Russell 3000 Restaurant Index and the Russell 3000 Index for the five year period ended December 24, 2018, the last trading day of our fiscal year. The graph assumes the values of the investment in our common stock and each index was $100 on December 31, 2013 and the reinvestment of all dividends paid during the period of the securities comprising the indices.

Note: The stock price performance shown on the graph below does not indicate future performance.

Comparison of Cumulative Total Return Since December 31, 2013
Among Texas Roadhouse, Inc., the Russell 3000 Index and the Russell 3000 Restaurant Index



	12/31/2013	12/30/2014	12/29/2015	12/27/2016	12/26/2017	12/24/2018
Texas Roadhouse, Inc.	$ 100.00	$ 121.51	$ 129.71	$ 178.27	$ 194.53	$ 204.35
Russell 3000	$ 100.00	$ 111.54	$ 110.66	$ 121.77	$ 143.19	$ 127.95
Russell 3000 Restaurant	$ 100.00	$ 104.92	$ 124.10	$ 129.02	$ 153.49	$ 153.74

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data as of and for the years 2018, 2017, 2016, 2015 and 2014 from our audited consolidated financial statements.

The Company utilizes a 52 or 53 week accounting period that typically ends on the last Tuesday in December. The Company utilizes a 13 or 14 week accounting period for quarterly reporting purposes. All of the fiscal years presented were 52 weeks in length. Our historical results are not necessarily indicative of our results for any future period.

	Fiscal Year				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Consolidated Statements of Income:					
Revenue:					
Restaurant sales and other	$ 2,437,115	$ 2,203,017	$ 1,974,261	$ 1,791,446	$ 1,568,556
Franchise royalties and fees	20,334	16,514	16,453	15,922	13,592
Total revenue	2,457,449	2,219,531	1,990,714	1,807,368	1,582,148
Income from operations	187,789	186,206	171,900	144,565	130,449
Income before taxes	188,551	186,117	171,756	144,247	129,967
Provision for income taxes	24,257	48,581	51,183	42,986	38,990
Net income including noncontrolling interests	$ 164,294	$ 137,536	$ 120,573	$ 101,261	$ 90,977
Less: Net income attributable to noncontrolling interests	6,069	6,010	4,975	4,367	3,955
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 158,225	$ 131,526	$ 115,598	$ 96,894	$ 87,022
Net income per common share:					
Basic	$ 2.21	$ 1.85	$ 1.64	$ 1.38	$ 1.25
Diluted	$ 2.20	$ 1.84	$ 1.63	$ 1.37	$ 1.23
Weighted average shares outstanding(1):					
Basic	71,467	70,989	70,396	70,032	69,719
Diluted	71,964	71,527	71,052	70,747	70,608
Cash dividends declared per share	$ 1.00	$ 0.84	$ 0.76	$ 0.68	$ 0.60

	Fiscal Year				
	2018	2017	2016	2015	2014
			($ in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 210,125	$ 150,918	$ 112,944	$ 59,334	$ 86,122
Total assets	1,469,276	1,330,623	1,179,971	1,032,706	943,142
Long-term debt and obligations under capital leases, net of current maturities	2,081	51,981	52,381	25,550	50,693
Total liabilities	508,568	479,232	421,729	355,524	328,186
Noncontrolling interests	15,139	12,312	8,016	7,520	7,064
Texas Roadhouse, Inc. and subsidiaries stockholders' equity(2)	$ 945,569	$ 839,079	$ 750,226	$ 669,662	$ 607,892
Selected Operating Data (unaudited):					
Restaurants:					
Company-Texas Roadhouse	464	440	413	392	368
Company-Bubba's 33	25	20	16	7	3
Company-Other	2	2	2	2	1
Franchise - Domestic	69	70	73	72	70
Franchise - International	22	17	13	10	9
Total	582	549	517	483	451
Company restaurant information:					
Store weeks	24,693	23,274	21,583	20,020	18,565
Comparable restaurant sales growth(3)	5.4 %	4.5 %	3.5 %	7.2 %	4.7 %
Texas Roadhouse restaurants only:					
Comparable restaurant sales growth(3)	5.4 %	4.5 %	3.6 %	7.2 %	4.7 %
Average unit volume(4)	$ 5,211	$ 4,973	$ 4,805	$ 4,664	$ 4,355
Net cash provided by operating activities	$ 352,868	$ 286,373	$ 257,065	$ 227,941	$ 191,713
Net cash used in investing activities	$ (158,145)	$ (178,156)	$ (164,738)	$ (173,203)	$ (124,240)
Net cash used in financing activities	$ (135,516)	$ (70,243)	$ (38,717)	$ (81,526)	$ (76,225)

(1) See note 12 to the Consolidated Financial Statements.

(2) See note 11 to the Consolidated Financial Statements.

(3) Comparable restaurant sales growth reflects the change in sales over the same period of the prior year for the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the later fiscal period, excluding sales from restaurants closed during the period.

(4) Average unit volume represents the average annual restaurant sales from Texas Roadhouse company restaurants open for a full six months before the beginning of the period measured, excluding sales from restaurants closed during the period. Additionally, average unit volume of company restaurants for 2018, 2017, 2016, and 2014 in the table above was adjusted to reflect the restaurant sales of any acquired franchise restaurants.

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below for the Company should be read in conjunction with the consolidated financial statements and the notes to such financial statements (pages F-1 to F-29), "Forward-looking Statements" (page 3) and Risk Factors set forth in Item 1A.

Our Company

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 582 restaurants in 49 states and nine foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown destination for a broad segment of consumers seeking high-quality, affordable meals served with friendly, attentive service. As of December 25, 2018, our 582 restaurants included:

- 491 "company restaurants," of which 471 were wholly-owned and 20 were majority-owned. The results of operations of company restaurants are included in our consolidated statements of income and comprehensive income. The portion of income attributable to noncontrolling interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our consolidated statements of income and comprehensive income. Of the 491 restaurants we owned and operated at the end of 2018, we operated 464 as Texas Roadhouse restaurants and operated 25 as Bubba's 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment.

- 91 "franchise restaurants," 24 of which we have a 5.0% to 10.0% ownership interest. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity income from investments in unconsolidated affiliates" in our consolidated statements of income and comprehensive income. Additionally, we provide various management services to these 24 franchise restaurants, as well as six additional franchise restaurants in which we have no ownership interest. All of the franchise restaurants operated as Texas Roadhouse restaurants. Of the 91 franchise restaurants, 69 were domestic restaurants and 22 were international restaurants.

We have contractual arrangements which grant us the right to acquire at pre-determined formulas (i) the remaining equity interests in 18 of the 20 majority-owned company restaurants and (ii) 66 of the 69 domestic franchise restaurants.

Throughout this report, we use the term "restaurants" to include Texas Roadhouse and Bubba's 33, unless otherwise noted.

Presentation of Financial and Operating Data

We operate on a fiscal year that typically ends on the last Tuesday in December. All of the fiscal years presented were 52 weeks in length. Fiscal year 2019 will be 53 weeks in length and, as such, the fourth quarter of fiscal 2019 will be 14 weeks in length.

As further noted in note 2 to the consolidated financial statements, we adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers* as of the beginning of our 2018 fiscal year. As a result of this adoption, certain transactions that were previously recorded as expense are now classified as revenue. These include breakage income and third party gift card fees from our gift card program which are included in other sales and previously were included in other operating expense as well as certain fees received from our franchisees which are included in franchise royalties and fees and previously were a reduction of general and administrative expense. In addition, we reclassified certain amounts between restaurant operating costs and general and administrative expenses. None of the above mentioned reclassifications had an impact to income before taxes and the comparative financial information has not been restated for these reclassifications. The comparative impact of these reclassifications is further detailed below.

Long-term Strategies to Grow Earnings Per Share

Our long-term strategies with respect to increasing net income and earnings per share, along with creating shareholder value, include the following:

Expanding Our Restaurant Base. We will continue to evaluate opportunities to develop restaurants in existing markets and in new domestic and international markets. Domestically, we will remain focused primarily on markets where we believe a significant demand for our restaurants exists because of population size, income levels and the presence of shopping and entertainment centers and a significant employment base. In recent years, we have relocated several existing locations which allows us to update them to our current prototypical design and/or to obtain more favorable lease terms. We continue to evaluate these opportunities particularly as it relates to older locations with strong sales. Our ability to expand our restaurant base is influenced by many factors beyond our control and, therefore, we may not be able to achieve our anticipated growth.

In 2018, we opened 28 company restaurants while our franchise partners opened five restaurants. We currently plan to open 25 to 30 company restaurants in 2019 including as many as four Bubba's 33 restaurants. In addition, we anticipate our existing franchise partners will open as many as eight Texas Roadhouse restaurants, primarily international, in 2019.

Our average capital investment for the 23 Texas Roadhouse restaurants opened during 2018, including pre-opening expenses and a capitalized rent factor, was $5.2 million. We expect our average capital investment for Texas Roadhouse restaurants opening in 2019 to be approximately $5.5 million. The increase in our estimated 2019 average capital investment is due to the purchase of land and the related site improvement costs at more locations. For 2018, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the five Bubba's 33 restaurants opened during the year was $7.1 million. This includes higher costs at one urban site in New Jersey. Excluding this site, the average capital investment would have been $6.5 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2019 to be approximately $6.5 million. We continue to evaluate our Bubba's 33 prototypical asset design.

We remain focused on driving sales and managing restaurant investment costs in order to maintain our restaurant development in the future. Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of any required site work, type of construction labor, local permitting requirements, our ability to negotiate with landlords, cost of liquor and other licenses and hook-up fees and geographical location.

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in several foreign countries. We currently have signed franchise and/or development agreements in nine countries in the Middle East as well as Taiwan, the Philippines, Mexico, China and South Korea. As of December 25, 2018, we had 15 restaurants open in five countries in the Middle East, three restaurants open in Taiwan, two in the Philippines, one in Mexico and one in China for a total of 22 restaurants in nine foreign countries. For the existing international agreements, the franchisee is required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Maintaining and/or Improving Restaurant Level Profitability. We plan to maintain, or possibly increase, restaurant level profitability (restaurant margin) through a combination of increased comparable restaurant sales and operating cost management. Restaurant margin is not a U.S. generally accepted accounting principle ("GAAP") measure and should not be considered in isolation, or as an alternative from income from operations. See further discussion of restaurant margin below. In general, we continue to balance the impacts of inflationary pressures with our value positioning as we remain focused on our long-term success. This may create a challenge in terms of maintaining and/or increasing restaurant margin, as a percentage of restaurant and other sales, in any given year, depending on the level of inflation we experience. In addition to restaurant margin, as a percentage of restaurant and other sales, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant level-profitability. In terms of driving higher comparable restaurant sales, we remain focused on encouraging repeat visits by our guests and attracting new guests through our continued commitment to operational standards relating to food and service quality. To attract new guests and increase the frequency of visits of our existing guests, we also continue to drive various localized marketing programs, focus on speed of service and increase throughput by adding seats and parking at certain restaurants.

Leveraging Our Scalable Infrastructure. To support our growth, we continue to make investments in our infrastructure. Over the past several years, we have made significant investments in our infrastructure, including information and accounting systems, real estate, human resources, legal, marketing, international and restaurant operations, including the development of new concepts. In addition, in 2018 we increased our number of regional market partners and regional support teams. Our goal is for general and administrative costs to increase at a slower growth rate than our revenue. Whether we are able to leverage our infrastructure in future years will depend, in part, on our new restaurant openings, our comparable restaurant sales growth rate going forward and the level of investment we continue to make in our infrastructure.

Returning Capital to Shareholders. We continue to pay dividends and evaluate opportunities to return capital to our shareholders through repurchases of common stock. In 2011, our Board of Directors declared our first quarterly dividend of $0.08 per share of common stock. We have consistently grown our per share dividend each year since that time and our long-term strategy includes increasing our regular quarterly dividend amount over time. On February 13, 2019, our Board of Directors declared a quarterly dividend of $0.30 per share of common stock. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility, other contractual restrictions and other factors deemed relevant.

In 2008, our Board of Directors approved our first stock repurchase program. Since then, we have paid $216.6 million through our authorized stock repurchase programs to repurchase 14,844,851 shares of our common stock at an average price per share of $14.59. On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date have been made through open market transactions. As of December 25, 2018, $69.9 million remains authorized for stock repurchases.

Key Operating Personnel

Key management personnel who have a significant impact on the performance of our restaurants include kitchen managers, service managers, assistant managers, managing partners and market partners. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Kitchen managers have primary responsibility for managing operations relating to our food preparation and food quality, and service managers have primary responsibility for managing our service quality and guest experiences. The assistant managers support our kitchen and service managers; these managers are collectively responsible for the operations of the restaurant in the absence of a managing partner. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Generally, each market partner may oversee as many as 8 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant's management team and assist in the site selection process for new restaurants. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concepts, strategies and standards of quality.

Managing partners and market partners are required, as a condition of employment, to sign a multi-year employment agreement. The annual compensation of our managing partners and market partners includes a base salary plus a percentage of the pre-tax income of the restaurant(s) they operate or supervise. Managing partners and market partners are eligible to participate in our equity incentive plan and are generally required to make deposits of $25,000 and $50,000, respectively. Generally, the deposits are refunded after five years of service.

Key Measures We Use To Evaluate Our Company

Key measures we use to evaluate and assess our business include the following:

Number of Restaurant Openings. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For company restaurant openings, we incur pre-opening costs, which are defined below, before the restaurant opens. Typically, new Texas Roadhouse restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately three to six months after opening. However, although sales volumes are generally higher, so are initial costs, resulting in restaurant margins that are generally lower during the start-up period of operation and increase to a steady level approximately three to six months after opening.

Comparable Restaurant Sales Growth. Comparable restaurant sales growth reflects the change in sales for company restaurants over the same period of the prior year for the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the period measured excluding restaurants closed during the period. Comparable restaurant sales growth can be impacted by changes in guest traffic counts or by changes in the per person average check amount. Menu price changes and the mix of menu items sold can affect the per person average check amount.

Average Unit Volume. Average unit volume represents the average annual restaurant and other sales for company restaurants open for a full six months before the beginning of the period measured excluding sales on restaurants closed during the period. Historically, average unit volume growth is less than comparable restaurant sales growth which indicates that newer restaurants are operating with sales levels lower than the company average. At times, average unit volume growth may be more than comparable restaurant sales growth which indicates that newer restaurants are operating with sales levels higher than the company average.

Store Weeks. Store weeks represent the number of weeks that our company restaurants were open during the reporting period.

Restaurant Margin. Restaurant margin (in dollars and as a percentage of restaurant and other sales) represents restaurant and other sales less restaurant-level operating costs, including cost of sales, labor, rent and other operating costs. Restaurant margin is not a measurement determined in accordance with GAAP and should not be considered in isolation, or as an alternative, to income from operations. This non-GAAP measure is not indicative of overall company performance and profitability in that this measure does not accrue directly to the benefit of shareholders due to the nature of the costs excluded. Restaurant margin is widely regarded as a useful metric by which to evaluate restaurant-level operating efficiency and performance. In calculating restaurant margin, we exclude certain non-restaurant-level costs that support operations, including pre-opening and general and administrative expenses, but do not have a direct impact on restaurant-level operational efficiency and performance. We also exclude depreciation and amortization expense, substantially all of which relates to restaurant-level assets, as it represents a non-cash charge for the investment in our restaurants. We also exclude impairment and closure expense as we believe this provides a clearer perspective of the Company's ongoing operating performance and a more useful comparison to prior period results. Restaurant margin as presented may not be comparable to other similarly titled measures of other companies in our industry. A reconciliation of income from operations to restaurant margin is included in the Results of Operations section below.

Other Key Definitions

Restaurant and Other Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts, for all company restaurants. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the consolidated statements of income and comprehensive income. Beginning in 2018, with the adoption of new revenue recognition accounting guidance, other sales include the amortization of fees associated with our third party gift card sales net of the amortization of gift card breakage income which had previously been recorded in restaurant other operating expense. These amounts are amortized over a period consistent with the historic redemption pattern of the associated gift cards.

Franchise Royalties and Fees. Franchise royalties consist of royalties, as defined in our franchise agreement, paid to us by our domestic and international franchisees. Domestic and/or international franchisees also typically pay an initial franchise fee and/or development fee for each new restaurant or territory. The terms of the international agreements may vary significantly from our domestic agreements. Beginning in 2018, with the adoption of new revenue recognition accounting guidance, franchise royalties and fees include certain fees which had previously been recorded as a reduction of general and administrative expenses. These include advertising fees paid by domestic franchisees to our system-wide marketing and advertising fund and management fees paid by certain domestic franchisees for supervisory and administrative services that we perform.

Restaurant Cost of Sales. Restaurant cost of sales consists of food and beverage costs of which approximately half relates to beef costs.

Restaurant Labor Expenses. Restaurant labor expenses include all direct and indirect labor costs incurred in operations except for profit sharing incentive compensation expenses earned by our restaurant managing partners and market partners. These profit sharing expenses are reflected in restaurant other operating expenses. Restaurant labor expenses also include share-based compensation expense related to restaurant-level employees.

Restaurant Rent Expense. Restaurant rent expense includes all rent, except pre-opening rent, associated with the leasing of real estate and includes base, percentage and straight-line rent expense.

Restaurant Other Operating Expenses. Restaurant other operating expenses consist of all other restaurant-level operating costs, the major components of which are utilities, supplies, local store advertising, repairs and maintenance, equipment rent, property taxes, credit card fees, and general liability insurance. Profit sharing incentive compensation expenses earned by our restaurant managing partners and market partners are also included in restaurant other operating expenses.

Pre-opening Expenses. Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new restaurant and are comprised principally of opening team and training compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses. On average, over 70% of total pre-opening costs incurred per restaurant opening relate to the hiring and training of employees. Pre-opening costs vary by location depending on a number of factors, including the size and physical layout of each location; the number of management and hourly employees required to operate each restaurant; the availability of qualified restaurant staff members; the cost of travel and lodging for different geographic areas; the timing of the restaurant opening; and the extent of unexpected delays, if any, in obtaining final licenses and permits to open the restaurants.

Depreciation and Amortization Expenses. Depreciation and amortization expenses ("D&A") include the depreciation of fixed assets and amortization of intangibles with definite lives, substantially all of which relates to restaurant-level assets.

Impairment and Closure Costs. Impairment and closure costs include any impairment of long-lived assets, including goodwill, and expenses associated with the closure of a restaurant. Closure costs also include any gains or losses associated with a relocated restaurant or the sale of a closed restaurant and/or assets held for sale as well as lease costs associated with closed or relocated restaurants.

General and Administrative Expenses. General and administrative expenses ("G&A") are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth including advertising costs incurred. G&A also includes legal fees, settlement charges and share-based compensation expense related to executive officers, support center employees and market partners and the realized and unrealized holding gains and losses related to the investments in our deferred compensation plan.

Interest Expense, Net. Net interest expense includes the cost of our debt or financing obligations including the amortization of loan fees, reduced by interest income and capitalized interest. Interest income includes earnings on cash and cash equivalents.

Equity Income from Unconsolidated Affiliates. As of December 25, 2018, December 26, 2017 and December 27, 2016, we owned a 5.0% to 10.0% equity interest in 24 franchise restaurants. Additionally, as of December 25, 2018, December 26, 2017 and December 27, 2016, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. Equity income from unconsolidated affiliates represents our percentage share of net income earned by these unconsolidated affiliates.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned restaurants. Our consolidated subsidiaries at December 25, 2018, December 26, 2017 and December 27, 2016 included 20, 18 and 16 majority-owned restaurants, respectively, all of which were open.

2018 Financial Highlights

Total revenue increased $237.9 million or 10.7% to $2.5 billion in 2018 compared to $2.2 billion in 2017 primarily due to an increase in average unit volume driven by comparable restaurant sales growth combined with the opening of new restaurants. Store weeks and comparable restaurant sales increased 6.1% and 5.4%, respectively, at company restaurants in 2018.

Restaurant margin increased $17.8 million to $424.2 million in 2018 from $406.4 million in 2017 while restaurant margin, as a percentage of restaurant and other sales, decreased 104 basis points to 17.4% in 2018 compared to 18.4% in 2017. The decrease in restaurant margin, as a percentage of restaurant and other sales, was primarily due to higher labor costs as a result of higher average wage rates, current staffing initiatives to increase sales, and higher costs associated with health insurance and workers' compensation. The decrease was partially offset by the reclassification of certain amounts between restaurant operating costs and general and administrative expenses as noted above. These reclassifications increased restaurant margin by approximately 0.2%, as a percentage of restaurant and other sales and had no impact on income before taxes.

Net income increased $26.7 million or 20.3% to $158.2 million in 2018 compared to $131.5 million in 2017 primarily due to higher revenue and lower income tax expense partially offset by higher labor costs. In addition, we overlapped a pre-tax charge of $14.9 million ($9.2 million after-tax), or $0.13 per diluted share, in 2017 related to the settlement of a previously disclosed legal matter. Our income tax rate decreased to 12.9% from 26.1% in the prior year primarily due to the impact of new tax legislation. Diluted earnings per share increased 19.6% to $2.20 from $1.84 in the prior year.

	Results of Operations					
	Fiscal Year					
	2018		2017		2016	
	$	%	$	%	$	%
	(In thousands)					
Consolidated Statements of Income:						
Revenue:						
Restaurant and other sales	2,437,115	99.2	2,203,017	99.3	1,974,261	99.2
Franchise royalties and fees	20,334	0.8	16,514	0.7	16,453	0.8
Total revenue	2,457,449	100.0	2,219,531	100.0	1,990,714	100.0
Costs and expenses:						
(As a percentage of restaurant and other sales)						
Restaurant operating costs (excluding depreciation and amortization shown separately below):						
Cost of sales	795,300	32.6	721,550	32.8	669,203	33.9
Labor	793,384	32.6	687,545	31.2	590,256	29.9
Rent	48,791	2.0	44,807	2.0	40,580	2.1
Other operating	375,477	15.4	342,702	15.6	305,290	15.5
(As a percentage of total revenue)						
Pre-opening	19,051	0.8	19,274	0.9	19,547	1.0
Depreciation and amortization	101,216	4.1	93,499	4.2	82,964	4.2
Impairment and closure	278	NM	654	NM	179	NM
General and administrative	136,163	5.5	123,294	5.6	110,795	5.6
Total costs and expenses	2,269,660	92.4	2,033,325	91.6	1,818,814	91.4
Income from operations	187,789	7.6	186,206	8.4	171,900	8.6
Interest expense, net	591	0.0	1,577	0.1	1,255	0.1
Equity income from investments in unconsolidated affiliates	(1,353)	(0.1)	(1,488)	(0.1)	(1,111)	(0.1)
Income before taxes	188,551	7.7	186,117	8.4	171,756	8.6
Provision for income taxes	24,257	1.0	48,581	2.2	51,183	2.6
Net income including noncontrolling interests	164,294	6.7	137,536	6.2	120,573	6.1
Net income attributable to noncontrolling interests	6,069	0.2	6,010	0.3	4,975	0.2
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	158,225	6.4	131,526	5.9	115,598	5.8

NM – Not meaningful

	Reconciliation of Income from Operations to Restaurant Margin		
	Fiscal Year Ended		
	2018	2017	2016
Income from operations	$ 187,789	$ 186,206	$ 171,900
Less:			
Franchise royalties and fees	20,334	16,514	16,453
Add:			
Pre-opening	19,051	19,274	19,547
Depreciation and amortization	101,216	93,499	82,964
Impairment and closure	278	654	179
General and administrative	136,163	123,294	110,795
Restaurant margin	$ 424,163	$ 406,413	$ 368,932
Restaurant margin $/store week	$ 17,177	$ 17,462	$ 17,094
Restaurant margin *(as a percentage of restaurant and other sales)*	17.4 %	18.4 %	18.7 %

Restaurant Unit Activity

	Total	Texas Roadhouse	Bubba's 33	Other
Balance at December 29, 2015	483	474	7	2
Company openings	30	21	9	—
Franchise openings - Domestic	1	1	—	—
Franchise openings - International	3	3	—	—
Balance at December 27, 2016	517	499	16	2
Company openings	27	23	4	—
Franchise openings - Domestic	1	1	—	—
Franchise openings - International	4	4	—	—
Balance at December 26, 2017	549	527	20	2
Company openings	28	23	5	—
Franchise openings - Domestic	—	—	—	—
Franchise openings - International	5	5	—	—
Balance at December 25, 2018	582	555	25	2

	December 25, 2018	December 26, 2017	December 27, 2016
Company - Texas Roadhouse	464	440	413
Company - Bubba's 33	25	20	16
Company - Other	2	2	2
Franchise - Texas Roadhouse - U.S.	69	70	73
Franchise - Texas Roadhouse - International	22	17	13
Total	582	549	517

Restaurant and Other Sales

Restaurant and other sales increased 10.6% in 2018 compared to 2017 and increased 11.6% in 2017 compared to 2016. The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods presented. Company restaurant count activity is shown in the restaurant unit activity table above.

	2018	2017	2016
Company Restaurants:			
Increase in store weeks	6.1 %	7.8 %	7.8 %
Increase in average unit volume	4.8 %	3.5 %	3.0 %
Other(1)	(0.1)%	0.3 %	(0.6)%
Total increase in restaurant sales	10.8 %	11.6 %	10.2 %
Other sales(2)	(0.2)%	— %	— %
Total increase in restaurant and other sales	10.6 %	11.6 %	10.2 %
Store weeks	24,693	23,274	21,583
Comparable restaurant sales growth	5.4 %	4.5 %	3.5 %
Texas Roadhouse restaurants only:			
Comparable restaurant sales growth	5.4 %	4.5 %	3.6 %
Average unit volume (in thousands)	$ 5,211	$ 4,973	$ 4,805
Weekly sales by group:			
Comparable restaurants (408, 380 and 358 units, respectively)	100,810	96,572	92,875
Average unit volume restaurants (21, 27 and 18 units, respectively)(3)	88,493	82,526	81,743
Restaurants less than six months old (35, 33 and 37 units, respectively)	97,268	92,208	87,059

(1) Includes the impact of the year-over-year change in sales volume of all non-Texas Roadhouse restaurants, along with Texas Roadhouse restaurants open less than six months before the beginning of the period measured, and, if applicable, the impact of restaurants closed or acquired during the period.

(2) Other sales, for 2018, represent $14.2 million related to the amortization of third party gift card fees net of $9.0 million related to the amortization of gift card breakage income.

(3) Average unit volume restaurants include restaurants open a full six to 18 months before the beginning of the period measured.

The increases in restaurant sales for all periods presented were primarily attributable to an increase in average unit volume driven by comparable restaurant sales growth combined with the opening of new restaurants. Comparable restaurant sales growth for all periods presented was due to an increase in our guest traffic counts and an increase in our per person average check as shown in the table below.

	2018	2017	2016
Guest traffic counts	3.9 %	3.6 %	2.1 %
Per person average check	1.5 %	0.9 %	1.4 %
Comparable restaurant sales growth	5.4 %	4.5 %	3.5 %

The increase in our per person average check for the periods presented was primarily driven by menu price increases shown below, which were taken as a result of inflationary pressures, primarily commodities and/or labor.

	Menu Price Increases
Q4 2018	1.7%
Q1 2018	0.8%
Q4 2017	0.3%
Q2 2017	0.5%
Q4 2016	1.0%
Q4 2015	2.0%

In all periods presented, average guest check may not have changed in line with the menu price increases implemented as guests shifted to other menu price items and/or purchased more or less beverages. In March 2019, we expect to implement a menu price increase of approximately 1.5%.

In 2019, we plan to open 25 to 30 company restaurants. While the majority of our restaurant growth in 2019 will be Texas Roadhouse restaurants, we currently expect to open as many as four Bubba's 33 restaurants. We have either begun construction or have sites under contract for purchase or lease for the majority of our expected 2019 openings.

Franchise Royalties and Fees

Franchise royalties and fees increased $3.8 million or 23.1% in 2018 compared to 2017 and increased $0.1 million or 0.4% in 2017 compared to 2016. Included in the increase in 2018 are reclassifications of approximately $2.6 million in conjunction with the implementation of new revenue recognition accounting guidance as previously described. An increase in average unit volume at domestic restaurants, driven by comparable restaurant sales growth, and the opening of new franchise restaurants also contributed to the increases in both periods. For both 2018 and 2017, the increases were partially offset by a decrease in average unit volume at international restaurants, driven by a decrease in comparable restaurant sales at those locations. For 2017, the increase was also partially offset by the loss of royalties associated with the acquisition of four franchise restaurants in Q1 2017. In 2018, franchise comparable restaurant sales increased 2.2% which included an increase in domestic franchise comparable restaurant sales of 4.3%. In 2017, franchise comparable restaurant sales increased 2.9% which included an increase in domestic franchise comparable restaurant sales of 4.2%. Franchise restaurant count activity is shown in the restaurant unit activity table above.

We anticipate our existing franchise partners will open as many as eight Texas Roadhouse restaurants, primarily international, in 2019.

Restaurant Cost of Sales

Restaurant cost of sales, as a percentage of restaurant and other sales, decreased to 32.6% in 2018 from 32.8% in 2017 and from 33.9% in 2016. The decrease in 2018 was primarily attributed to the benefit of menu pricing actions along with the reclassification of $5.4 million in conjunction with the implementation of new revenue recognition accounting guidance as previously described. The decrease was partially offset by commodity inflation of approximately 1.4% driven by higher food costs. The decrease in 2017 was primarily attributed to commodity deflation of 2.4% and menu pricing actions. Commodity deflation was driven by lower food costs, primarily beef. Recent menu pricing actions are summarized in our discussion of restaurant and other sales above.

For 2019, we currently expect commodity cost inflation of 1.0% to 2.0% with fixed price contracts for approximately half of our overall food costs and the remainder subject to fluctuating market prices.

Restaurant Labor Expenses

Restaurant labor expense, as a percentage of restaurant and other sales, increased to 32.6% in 2018 compared to 31.2% in 2017. This increase was primarily attributed to higher average wage rates and current staffing initiatives along with higher costs associated with health insurance and workers' compensation expense partially offset by the benefit from an increase in average unit volume.

Restaurant labor expense, as a percentage of restaurant and other sales, increased to 31.2% in 2017 compared to 29.9% in 2016. The increase was primarily attributed to higher average wage rates, current staffing initiatives to increase sales, and a change in our compensation structure, partially offset by the benefit from an increase in average unit volume.

In 2019, we anticipate our labor costs will be pressured by mid-single digit inflation due to ongoing labor market pressures, current staffing initiatives and increased investment in our people and increases in state-mandated minimum and tipped wage rates. These increases may or may not be offset by additional menu price adjustments or guest traffic growth.

Restaurant Rent Expense

Restaurant rent expense, as a percentage of restaurant and other sales, remained relatively unchanged at 2.0% in 2018 and 2017 and 2.1% in 2016. In all periods presented, higher rent expense, as a percentage of restaurant and other sales, at our newer restaurants was offset by the benefit from an increase in average unit volume.

Restaurant Other Operating Expenses

Restaurant other operating expense, as a percentage of restaurant and other sales, decreased to 15.4% in 2018 from 15.6% in 2017. The decrease was primarily attributed to reclassifications of $4.7 million in 2018 made in conjunction with the implementation of the new revenue recognition accounting guidance along with lower incentive compensation expense and the benefit from an increase in average unit volume. The decrease was partially offset by higher credit card fees.

Restaurant other operating expense, as a percentage of restaurant and other sales, increased to 15.6% in 2017 from 15.5% in 2016. The increase was primarily attributed to higher costs associated with credit card charges, general liability insurance and disaster claims as well as higher gift card fees net of breakage. These increases were partially offset by lower costs related to incentive compensation along with an increase in average unit volume. General liability insurance increased due to the reduction of costs recorded in the prior year from changes in our claims development history included in our quarterly actuarial reserve estimate. Disaster claims increased due to hurricane related damage and costs related to other uninsured events.

Restaurant Pre-opening Expenses

Pre-opening expenses decreased to $19.1 million in 2018 from $19.3 million in 2017 and from $19.5 million in 2016. These changes are primarily due to the number of restaurant openings in a given year and the timing of restaurant openings. Pre-opening costs will fluctuate from period to period based on the specific pre-opening costs incurred for each restaurant, the number and timing of restaurant openings and the number and timing of restaurant managers hired.

Depreciation and Amortization Expenses ("D&A")

D&A, as a percentage of revenue, decreased to 4.1% in 2018 compared to 4.2% in 2017 and 2016. In all periods presented, the decrease in D&A is primarily due to the benefit from an increase in average unit volume partially offset by increased investment in short-lived assets, such as equipment at existing restaurants, and higher depreciation at new restaurants.

Impairment and Closure Costs

Impairment and closure costs were $0.3 million, $0.7 million and $0.2 million in 2018, 2017 and 2016, respectively. In all periods presented, the amounts recorded were closure costs primarily related to the relocations of Texas Roadhouse restaurants. See note 16 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2018, 2017 and 2016.

General and Administrative Expenses ("G&A")

G&A, as a percentage of total revenue, decreased to 5.5% in 2018 compared to 5.6% in 2017. The decrease was primarily due to a pre-tax charge of $14.9 million ($9.2 million after-tax), or $0.13 per diluted share, related to the settlement of a legal matter in 2017 and the benefit of an increase in average unit volume. This decrease was offset by higher incentive compensation costs, higher managing partner conference costs, and reclassifications of $7.4 million made in conjunction with the implementation of the new revenue recognition accounting guidance as previously described.

G&A, as a percentage of total revenue, remained flat at 5.6% in 2017 and 2016. The benefit from an increase in average unit volume and lower incentive and share-based compensation was offset by a pre-tax charge of $14.9 million ($9.2 million after-tax) related to the settlement of a legal matter in 2017. The impact of the legal charge was partially offset by a pre-tax charge recorded in 2016 of $7.3 million ($4.5 million after-tax) or $0.06 per diluted share, related to a separate legal matter.

We are currently subject to various claims and contingencies that arise from time to time in the ordinary course of business, including those related to litigation, business transactions, employee-related matters and taxes, among others. See note 13 to the Consolidated Financial Statements for further discussion of these matters.

Interest Expense, Net

Net interest expense decreased to $0.6 million in 2018 compared to $1.6 million in 2017. Net interest expense increased to $1.6 million in 2017 compared to $1.3 million in 2016. The decrease in 2018 was primarily driven by paying off our outstanding credit facility of $50.0 million in April 2018. The increase in 2017 is primarily due to higher interest rates.

Income Taxes

Our effective tax rate decreased to 12.9% in 2018 compared to 26.1% in 2017 primarily due to new tax legislation that was enacted in late 2017. As a result of the new tax legislation, significant tax changes were enacted including the reduction of the federal corporate tax rate from 35.0% to 21.0%. These changes were generally effective at the beginning of our 2018 fiscal year. See note 9 to the Consolidated Financial Statements for a reconciliation of the statutory federal income tax rate to our effective tax rate. For 2019, we expect the effective tax rate to be approximately 15%.

Our effective tax rate decreased to 26.1% in 2017 compared to 29.8% in 2016 primarily due to adoption of Accounting Standards Update 2016-9, *Compensation – Stock Compensation* and new tax legislation that was enacted in late 2017. As a result of the new guidance requirements, excess tax benefits and tax deficiencies from share-based compensation are recognized within the income tax provision. During 2017, we recognized $3.4 million, or $0.05 per share, as an income tax benefit related to the new guidance requirements. Also during 2017, as a result of the new tax legislation, we recognized $3.1 million, or $0.04 per share, as an income tax benefit related to the new tax legislation which includes an income tax benefit of approximately $3.8 million to revalue our deferred tax balances as of the enactment date and an income tax expense of approximately $0.7 million related to our foreign operations.

Liquidity and Capital Resources

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities (in thousands):

	Fiscal Year		
	2018	**2017**	**2016**
Net cash provided by operating activities	$ 352,868	$ 286,373	$ 257,065
Net cash used in investing activities	(158,145)	(178,156)	(164,738)
Net cash used in financing activities	(135,516)	(70,243)	(38,717)
Net increase in cash and cash equivalents	$ 59,207	$ 37,974	$ 53,610

Net cash provided by operating activities was $352.9 million in 2018 compared to $286.4 million in 2017. The increase was primarily due to an increase in net income and non-cash items such as deferred income taxes, depreciation and amortization expense and share-based compensation expense along with an increase in working capital. The increase in net income was primarily driven by a decrease in income tax expense due to new tax legislation that was enacted in late 2017. The increase in working capital was primarily due to an increase in deferred revenue related to gift cards and an increase in accounts payable partially offset by an increase in prepaid income taxes.

Net cash provided by operating activities was $286.4 million in 2017 compared to $257.1 million in 2016. The increase was primarily due to an increase in net income and non-cash items such as depreciation and amortization expense along with an increase in working capital. The increase in net income was primarily driven by an increase in comparable restaurant sales at existing restaurants, the continued opening of new restaurants and lower commodity costs, primarily beef, partially offset by higher labor and general and administrative expenses. The increase in working capital was primarily due to an increase in cash flows related to a change in the timing of payments for accrued wages.

Our operations have not required significant working capital and, like many restaurant companies, we can operate with negative working capital. Sales are primarily for cash, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, thereby reducing the need for incremental working capital to support growth.

Net cash used in investing activities was $158.1 million in 2018 compared to $178.2 million in 2017 and $164.7 million in 2016. The decrease in 2018 and increase in 2017 was primarily due to the acquisition of four franchise restaurants in Q1 2017 for an aggregate purchase price of $16.5 million.

We require capital principally for the development of new company restaurants, the refurbishment or relocation of existing restaurants and the acquisition of franchise restaurants, if any. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land when appropriate. As of December 25, 2018, 143 of the 491 company restaurants have been developed on land which we own.

The following table presents a summary of capital expenditures (in thousands):

	2018	2017	2016
New company restaurants	$ 83,633	$ 104,819	$ 100,840
Refurbishment of existing restaurants	58,125	49,344	53,527
Relocation of existing restaurants	6,100	4,807	6,678
Capital expenditures related to support center office	8,122	2,658	3,693
Total capital expenditures	$ 155,980	$ 161,628	$ 164,738

Our future capital requirements will primarily depend on the number of new restaurants we open, the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants and relocating existing restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In 2019, we expect our capital expenditures to be approximately $210.0 million to $220.0 million, the majority of which will relate to planned restaurant openings, including 25 to 30 company restaurant openings in 2019, the relocation of existing company restaurants and capital expenditures related to the remodeling of our support center office. This amount excludes any cash used for franchise acquisitions. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities and, if needed, funds available under our amended credit facility. For 2019, we anticipate net cash provided by operating activities will exceed capital expenditures, which we currently plan to use to pay dividends, as approved by our Board of Directors and/or repurchase common stock.

Net cash used in financing activities was $135.5 million in 2018 compared to $70.2 million in 2017. The increase is primarily due to the $50.0 million repayment of our revolving credit facility in Q2 2018 along with an increase in dividends paid.

Net cash used in financing activities was $70.2 million in 2017 compared to $38.7 million in 2016. The increase is primarily due to borrowings on our amended revolving credit facility that occurred in Q1 2016 and an increase in dividends paid. These increases were partially offset by decreased spending on share repurchases, along with proceeds from noncontrolling interest contributions.

On May 22, 2014, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. During 2018, we made no share repurchases and had $69.9 million remaining under our authorized stock repurchase program as of December 25, 2018.

We paid cash dividends of $68.6 million in 2018. On December 6, 2018, our Board of Directors authorized the payment of a regular quarterly cash dividend of $0.25 per share of common stock to shareholders of record at the close of business on December 19, 2018. This payment was distributed on December 28, 2018. On February 13, 2019, our Board of Directors authorized the payment of a quarterly cash dividend of $0.30 per share of common stock. This payment will be distributed on March 29, 2019 to shareholders of record at the close of business on March 13, 2019. The increase in the dividend per share amount reflects the increase in our regular annual dividend rate from $1.00 per share in 2018 to $1.20 per share in 2019. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

We paid distributions of $5.7 million to equity holders of 19 of our 20 majority-owned company restaurants in 2018. In 2017, we paid distributions of $5.2 million to equity holders of all of our 18 majority-owned restaurants.

On August 7, 2017, we entered into the Amended and Restated Credit Agreement (the "Amended Credit Agreement") with respect to our revolving credit facility with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo Bank, N.A. The amended revolving credit facility remains an unsecured, revolving credit agreement under which we may borrow up to $200.0 million with the option to increase the amended revolving credit facility by an additional $200.0 million subject to certain limitations. The Amended Credit Agreement extends the maturity date of our revolving credit facility until August 5, 2022.

The terms of the Amended Credit Agreement require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875% and to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our consolidated net leverage ratio, or the Alternate Base Rate, which is the highest of the issuing banks' prime lending rate, the Federal Reserve Bank of New York rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. The weighted-average interest rate for the amended revolving credit facility at December 25, 2018 and December 26, 2017 was 3.81% and 2.37%, respectively. At December 25, 2018, we had $191.6 million of availability, net of $8.4 million of outstanding letters of credit.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The Amended Credit Agreement permits us to incur additional secured or unsecured indebtedness outside the amended revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate is equal to or greater than $125.0 million and 20% of our consolidated tangible net worth. We were in compliance with all financial covenants as of December 25, 2018.

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 25, 2018 (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 Years	3 - 5 Years	More than 5 years
Obligation under capital lease	$ 2,081	$ —	$ —	—	2,081
Interest on capital lease	5,210	276	559	566	3,809
Operating lease obligations	927,330	50,030	99,499	100,091	677,710
Capital obligations	168,282	168,282	—	—	—
Total contractual obligations(1)	$ 1,102,903	$ 218,588	$ 100,058	$ 100,657	$ 683,600

(1) Excluded from this amount are certain immaterial items including unrecognized tax benefits under Accounting Standards Codification ("ASC") 740 as they are immaterial.

We have no material minimum purchase commitments with our vendors that extend beyond a year. See notes 5 and 8 to the Consolidated Financial Statements for details of contractual obligations.

Off-Balance Sheet Arrangements

Except for operating leases (primarily restaurant leases), we do not have any off-balance sheet arrangements.

Guarantees

As of December 25, 2018 and December 26, 2017, we are contingently liable for $14.8 million and $15.6 million, respectively, for seven leases, listed in the table below. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 25, 2018, as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1)(2)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2021
Fargo, North Dakota (1)(2)	February 2006	July 2021
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (3)	December 2013	December 2019
Louisville, Kentucky (3)(4)	December 2013	November 2023

(1) Real estate lease agreements for restaurant locations which we entered into before granting franchise rights to those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable, under the terms of the lease, if the franchisee defaults.

(2) As discussed in note 19, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

(3) Leases associated with a restaurant concept which was sold. The leases were assigned to the acquirer, but we remain contingently liable under the terms of the lease if the acquirer defaults.

(4) We may be released from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer.

Critical Accounting Policies and Estimates

The above discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. Our significant accounting policies are described in note 2 to the accompanying consolidated financial statements. Critical accounting policies are those that we believe are most important to portraying our financial condition and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments or uncertainties regarding the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

Impairment of Long-lived Assets. We evaluate long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, for impairment whenever events and circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below $300,000 at the individual restaurant level signals a potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations for future sales growth. We limit assumptions about important factors such as trend of future operations and sales growth to those that are supportable based upon our plans for the restaurant and actual results at comparable restaurants. Both qualitative and quantitative information are considered when evaluating for potential impairments. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, these factors could cause us to realize a material impairment charge.

If assets are determined to be impaired, we measure the impairment charge by calculating the amount by which the asset carrying amount exceeds its estimated fair value. The determination of asset fair value is also subject to significant judgment. We generally measure estimated fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. If these assumptions change in the future, we may be required to record impairment charges for these assets.

At December 25, 2018, we had 16 restaurants whose trailing 12-month cash flows did not meet the $300,000 threshold. However, the future undiscounted cash flows from operating each of these restaurants over their remaining estimated useful lives exceeded their respective remaining carrying values and no assets were determined to be impaired.

See note 16 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2018, 2017 and 2016, including the impairments of goodwill and other long-lived assets.

Goodwill. Goodwill is tested annually for impairment, and is tested more frequently if events and circumstances indicate that the asset might be impaired. We have assigned goodwill to our reporting units, which we consider to be the individual restaurant level. An impairment loss is recognized to the extent that the carrying amount exceeds the implied fair value of goodwill. The determination of impairment consists of two steps. First, we determine the fair value of the reporting unit and compare it to its carrying amount. The fair value of the reporting unit may be based on several valuation approaches including capitalization of earnings, discounted cash flows, comparable public company market multiples and comparable acquisition market multiples. Second, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit, in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as appropriate revenue growth rates, operating margins, weighted average cost of capital, and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings or discounted cash flows methods we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

At December 25, 2018, we had 70 reporting units, primarily at the restaurant level, with allocated goodwill of $123.2 million. The average amount of goodwill associated with each reporting unit is $1.8 million with six reporting units having goodwill in excess of $4.0 million. We did not record any impairment charges as a result of our annual impairment analysis in 2018. We are not currently monitoring any restaurants for potential impairment. Since we determine the fair value of goodwill at the restaurant level, any significant decreases in cash flows at these restaurants or others could trigger an impairment charge in the future. The fair value of each of our reporting units was substantially in excess of their respective carrying values as of the 2018 goodwill impairment test. See note 16 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2018, 2017 and 2016, including the impairments of goodwill and other long-lived assets.

Effects of Inflation

We have not operated in a period of high general inflation for the last several years; however, we have experienced material increases in certain commodity costs, specifically beef, in the past. In addition, a significant number of our employees are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in minimum wage have increased our labor costs for the last several years. We have increased menu prices and made other adjustments over the past few years, in an effort to offset increases in our restaurant and operating costs resulting from inflation. Whether we are able and/or choose to continue to offset the effects of inflation will determine to what extent, if any, inflation affects our restaurant profitability in future periods.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt. The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the highest of the issuing bank’s prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. As of December 25, 2018, we had no outstanding borrowings under our revolving credit facility, which bears interest at approximately 87.5 to 187.5 basis points (depending on our leverage ratios) over LIBOR. As of December 25, 2018, we had no outstanding borrowings under our revolving credit facility.

In an effort to secure high quality, low cost ingredients used in the products sold in our restaurants, we employ various purchasing and pricing contract techniques. When purchasing certain types of commodities, we may be subject to prevailing market conditions resulting in unpredictable price volatility. For certain commodities, we may also enter into contracts for terms of one year or less that are either fixed price agreements or fixed volume agreements where the price is negotiated with reference to fluctuating market prices. We currently do not use financial instruments to hedge commodity prices, but we will continue to evaluate their effectiveness. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected.

We are subject to business risk as our beef supply is highly dependent upon three vendors. If these vendors were unable to fulfill their obligations under their contracts, we may encounter supply shortages and incur higher costs to secure adequate supplies, any of which would harm our business.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

See Index to Consolidated Financial Statements at Item 15.

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in, Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of our management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 25, 2018.

Changes in internal control

During the fourth quarter of 2018, there were no changes with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Under Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to assess the effectiveness of the Company's internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report. In this assessment, the Company applied criteria based on the "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 25, 2018.

KPMG LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in the Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of December 25, 2018 as stated in their report at F-2.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors is incorporated herein by reference to the information set forth under "Election of Directors" in our Definitive Proxy Statement to be dated approximately April 12, 2019.

Information regarding our executive officers has been included in Part I of this Annual Report under the caption "Executive Officers of the Company."

Information regarding our corporate governance is incorporated herein by reference to the information set forth in our Definitive Proxy Statement to be dated approximately April 12, 2019.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 12, 2019.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 12, 2019.

Equity Compensation Plans

As of December 25, 2018, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. See note 14 to the Consolidated Financial Statements for a description of the plans.

Plan Category	Shares to Be Issued Upon Vest Date (1)	Shares Available for Future Grants
Plans approved by stockholders	914,945	3,673,461
Plans not approved by stockholders	—	—
Total	914,945	3,673,461

(1) Total number of shares includes 824,495 restricted stock units and 90,000 performance stock units. Shares in this column are excluded from The Shares Available for Future Grants column. See note 14 to the Consolidated Financial Statements.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 12, 2019.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 12, 2019.

PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

Description	Page Number in Report
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 25, 2018 and December 26, 2017	F-3
Consolidated Statements of Income and Comprehensive Income for the years ended December 25, 2018, December 26, 2017 and December 27, 2016	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 25, 2018, December 26, 2017 and December 27, 2016	F-5
Consolidated Statements of Cash Flows for the years ended December 25, 2018, December 26, 2017 and December 27, 2016	F-6
Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedules

Omitted due to inapplicability or because required information is shown in our Consolidated Financial Statements or notes thereto.

3. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 28, 2016) (File No. 000-50972)
3.2	Bylaws of Registrant (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
4.1	Registration Rights Agreement, dated as of May 7, 2004, among Registrant and others (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.1*	Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Registrant (File No. 333-121241))
10.2	Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.3	Form of Limited Partnership Agreement and Operating Agreement for certain company-managed Texas Roadhouse restaurants, including schedule of the owners of such restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to such an agreement (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.6	Form of Franchise Agreement and Preliminary Agreement for a Texas Roadhouse restaurant franchise, including schedule of directors, executive officers and 5% stockholders which have entered into either agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.7	Schedule of the owners of company-managed Texas Roadhouse restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to Limited Partnership Agreements and Operating Agreements as of December 25, 2018 the form of which is set forth in Exhibit 10.3 of this Form 10-K
10.8	Schedule of the directors, executive officers and 5% stockholders which have entered into Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Franchise as of December 25, 2018 the form of which is set forth in Exhibit 10.6 of this Form 10-K
10.11	Amended and Restated Lease Agreement (Two Paragon Centre) dated January 1, 2006 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.17 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2006) (File No. 000-50972)

Exhibit No.	Description
10.12	First Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated December 18, 2006 between Paragon Centre Holdings LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 26, 2006) (File No. 000-50972)
10.13	Second Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated May 10, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2007) (File No. 000-50972)
10.14	Third Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated September 7, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2007) (File No. 000-50972)
10.15	Fourth Amendment dated July 22, 2009, and Fifth Amendment dated November 15, 2013, to Amended and Restated Lease Agreement (Two Paragon Centre) between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.16*	Form of Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 of Registrant's Annual Report on Form 10-K for the year ended December 25, 2007 (File No. 000-50972))
10.17*	Form of First Amendment to Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan with non-management directors (incorporated by reference to Exhibit 10.20 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.18*	Amendment to Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.19*	Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from Appendix A to the Texas Roadhouse, Inc. Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 5, 2013 (File No. 000-50972))
10.20*	Form of Restricted Stock Unit Award under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.21*	Texas Roadhouse, Inc. Cash Bonus Plan for cash incentive awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.22*	Employment Agreement between the Registrant and W. Kent Taylor, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.23*	Employment Agreement between the Registrant and Scott M. Colosi, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.24*	Employment Agreement between the Registrant and Celia Catlett, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.25*	Employment Agreement between the Registrant and W. Kent Taylor entered into as of December 26, 2017
10.26*	Employment Agreement between the Registrant and Scott M. Colosi entered into as of December 26, 2017 (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K ended December 26, 2017 (File No. 000-50972))
10.27*	Employment Agreement between the Registrant and Celia Catlett entered into as of December 26, 2017 (incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K ended December 26, 2017 (File No. 000-50972))

Exhibit No.	Description
10.28*	Employment Agreement between the Registrant and S. Chris Jacobsen entered into as of December 26, 2017 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K ended December 26, 2017 (File No. 000-50972))
10.29*	Form of Performance Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.30*	First Amendment to Employment Agreement between Texas Roadhouse Management Corp. and Scott M. Colosi entered into as of May 17, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 18, 2018 (File No. 000-50972))
10.31*	Employment Agreement between Texas Roadhouse Management Corp. and Tonya Robinson entered into as of May 18, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2018 (File No. 000-50972))
10.32*	Employment Agreement between Texas Roadhouse Management Corp. and Doug Thompson entered into as of August 23, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2018 (File No. 000-50972))
10.33*	Amended and Restated Form of Restricted Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for officers (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.34*	Amended and Restated Form of Restricted Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for non-officers (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.35*	Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended December 19, 2007 and December 31, 2008 (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.36*	Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., effective January 1, 2010 (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.37	Lease Agreement dated December 11, 2012 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.38	First Amendment to Lease Agreement dated January 10, 2013 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.39	Second Amendment to Lease Agreement dated February 11, 2015 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.38	Third Amendment to Lease Agreement dated January 26, 2016 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.39*	Employment agreement between the Registrant and S. Chris Jacobsen, entered into as of February 11, 2016 (incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.40*	Form of Nonqualified Stock Option Agreement under Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.41	Fourth Amendment to Lease Agreement dated January 13, 2017 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2016 (File No. 000-50972))
10.42	Fifth Amendment to Lease Agreement dated November 2, 2017 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K ended December 26, 2017 (File No. 000-50972))

Exhibit No.	Description
10.43	Sixth Amendment to Lease Agreement dated June 27, 2018 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2018 (File No. 000-50972))
10.44	Master Lease Agreement dated October 26, 2018 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2018 (File No. 000-50972))
10.45	Consent Decree dated March 31, 2017, among Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp. and the EEOC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 31, 2017 (File No. 000-50972))
10.46	Amended and Restated Credit Agreement dated as of August 7, 2017, by and among Texas Roadhouse Inc., and the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated August 7, 2017 (File No. 000-50972))
10.47	Asset Purchase Agreement dated as of December 3, 2018 between Texas Roadhouse, Inc., Texas Roadhouse Holdings, LLC, Green Brothers Dining, Inc. and W. Kent Taylor and Maynard Investments, LLC.
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 25, 2018, filed February 22, 2019, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS ROADHOUSE, INC.

By: /s/ W. KENT TAYLOR
W. Kent Taylor
Chairman of the Company, Chief Executive Officer, Director
Date: February 22, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ W. KENT TAYLOR W. Kent Taylor	Chairman of the Company, Chief Executive Officer, Director (Principal Executive Officer)	February 22, 2019
/s/ TONYA R. ROBINSON Tonya R. Robinson	Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	February 22, 2019
/s/ GREGORY N. MOORE Gregory N. Moore	Director	February 22, 2019
/s/ CURTIS A. WARFIELD Curtis A. Warfield	Director	February 22, 2019
/s/ KATHLEEN M. WIDMER Kathleen M. Widmer	Director	February 22, 2019
/s/ JAMES R. ZARLEY James R. Zarley	Director	February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Texas Roadhouse, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries (the "Company") as of December 25, 2018 and December 26, 2017, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 25, 2018, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2018 and December 26, 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 25, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective December 27, 2017, the Company has changed its method of accounting for revenue from contracts with customers due to the adoption of Financial Accounting Standards Board Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1998.

Louisville, Kentucky
February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Texas Roadhouse, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Texas Roadhouse, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 25, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 25, 2018 and December 26, 2017, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 25, 2018, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 22, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP
Louisville, Kentucky
February 22, 2019

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 25, 2018	December 26, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 210,125	$ 150,918
Receivables, net of allowance for doubtful accounts of $34 at December 25, 2018 and $43 at December 26, 2017	92,114	76,496
Inventories, net	18,827	16,306
Prepaid income taxes	7,569	—
Prepaid expenses	16,384	13,361
Total current assets	345,019	257,081
Property and equipment, net of accumulated depreciation of $602,451 at December 25, 2018 and $527,710 at December 26, 2017	956,676	912,147
Goodwill	123,220	121,040
Intangible assets, net of accumulated amortization of $13,416 at December 25, 2018 and $12,675 at December 26, 2017	1,959	2,700
Other assets	42,402	37,655
Total assets	$ 1,469,276	$ 1,330,623
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 62,060	$ 57,579
Deferred revenue-gift cards	192,242	156,627
Accrued wages	34,159	29,678
Income taxes payable	—	2,494
Accrued taxes and licenses	24,631	21,997
Dividends payable	17,904	14,945
Other accrued liabilities	54,146	46,678
Total current liabilities	385,142	329,998
Long-term debt and obligation under capital lease, excluding current maturities	2,081	51,981
Restricted stock and other deposits	7,703	7,699
Deferred rent	48,079	42,141
Deferred tax liabilities, net	17,268	5,301
Other liabilities	48,295	42,112
Total liabilities	508,568	479,232
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, 71,617,510 and 71,168,897 shares issued and outstanding at December 25, 2018 and December 26, 2017, respectively)	72	71
Additional paid-in-capital	257,388	236,548
Retained earnings	688,337	602,499
Accumulated other comprehensive loss	(228)	(39)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	945,569	839,079
Noncontrolling interests	15,139	12,312
Total equity	960,708	851,391
Total liabilities and equity	$ 1,469,276	$ 1,330,623

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share data)

	Fiscal Year Ended December 25, 2018	Fiscal Year Ended December 26, 2017	Fiscal Year Ended December 27, 2016
Revenue:			
Restaurant and other sales	$ 2,437,115	$ 2,203,017	$ 1,974,261
Franchise royalties and fees	20,334	16,514	16,453
Total revenue	2,457,449	2,219,531	1,990,714
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	795,300	721,550	669,203
Labor	793,384	687,545	590,256
Rent	48,791	44,807	40,580
Other operating	375,477	342,702	305,290
Pre-opening	19,051	19,274	19,547
Depreciation and amortization	101,216	93,499	82,964
Impairment and closure	278	654	179
General and administrative	136,163	123,294	110,795
Total costs and expenses	2,269,660	2,033,325	1,818,814
Income from operations	187,789	186,206	171,900
Interest expense, net	591	1,577	1,255
Equity income from investments in unconsolidated affiliates	(1,353)	(1,488)	(1,111)
Income before taxes	188,551	186,117	171,756
Provision for income taxes	24,257	48,581	51,183
Net income including noncontrolling interests	164,294	137,536	120,573
Less: Net income attributable to noncontrolling interests	6,069	6,010	4,975
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 158,225	$ 131,526	$ 115,598
Other comprehensive (loss) income, net of tax:			
Unrealized gain on derivatives, net of tax of ($-), ($-) and ($18)	—	—	27
Foreign currency translation adjustment, net of tax of $53, ($97) and $70, respectively	(189)	155	(112)
Total other comprehensive (loss) income, net of tax	(189)	155	(85)
Total comprehensive income	$ 158,036	$ 131,681	$ 115,513
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	$ 2.21	$ 1.85	$ 1.64
Diluted	$ 2.20	$ 1.84	$ 1.63
Weighted average shares outstanding:			
Basic	71,467	70,989	70,396
Diluted	71,964	71,527	71,052
Cash dividends declared per share	$ 1.00	$ 0.84	$ 0.76

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(tabular amounts in thousands, except share data)

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 29, 2015	70,091,203	$ 70	$ 201,023	$468,678	$ (109)	$ 669,662	$ 7,520	$677,182
Net income	—	—	—	115,598	—	115,598	4,975	120,573
Other comprehensive loss, net	—	—	—	—	(85)	(85)	—	(85)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(4,479)	(4,479)
Dividends declared ($0.76 per share)	—	—	—	(53,553)	—	(53,553)	—	(53,553)
Shares issued under share-based compensation plans including tax effects	879,042	1	5,958	—	—	5,959	—	5,959
Repurchase of shares of common stock	(114,700)	—	(4,110)	—	—	(4,110)	—	(4,110)
Indirect repurchase of shares for minimum tax withholdings	(235,808)	—	(9,312)	—	—	(9,312)	—	(9,312)
Share-based compensation	—	—	26,067	—	—	26,067	—	26,067
Balance, December 27, 2016	70,619,737	$ 71	$ 219,626	$530,723	$ (194)	$ 750,226	$ 8,016	$758,242
Net income	—	—	—	131,526	—	131,526	6,010	137,536
Other comprehensive income, net	—	—	—	—	155	155	—	155
Noncontrolling interests contribution	—	—	—	—	—	—	3,457	3,457
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(5,171)	(5,171)
Dividends declared ($0.84 per share)	—	—	—	(59,681)	—	(59,681)	—	(59,681)
Shares issued under share-based compensation plans including tax effects	800,189	1	1,557	—	—	1,558	—	1,558
Indirect repurchase of shares for minimum tax withholdings	(251,029)	(1)	(11,638)	—	—	(11,639)	—	(11,639)
Cumulative effect of change in accounting principle	—	—	69	(69)	—	—	—	—
Share-based compensation	—	—	26,934	—		26,934	—	26,934
Balance, December 26, 2017	71,168,897	$ 71	$ 236,548	$602,499	$ (39)	$ 839,079	$ 12,312	$851,391
Net income	—	—	—	158,225	—	158,225	6,069	164,294
Other comprehensive loss, net	—	—	—	—	(189)	(189)	—	(189)
Noncontrolling interests contribution	—	—	—	—	—	—	2,551	2,551
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(5,746)	(5,746)
Acquisition of noncontrolling interest	—	—	(75)	—	—	(75)	(47)	(122)
Contribution from executive officer	—	—	1,000	—	—	1,000	—	1,000
Dividends declared ($1.00 per share)	—	—	—	(71,509)	—	(71,509)	—	(71,509)
Shares issued under share-based compensation plans including tax effects	684,804	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(236,191)	—	(14,067)	—	—	(14,067)	—	(14,067)
Cumulative effect of change in accounting principle	—	—	—	(878)	—	(878)	—	(878)
Share-based compensation	—	—	33,983	—	—	33,983	—	33,983
Balance, December 25, 2018	71,617,510	$ 72	$ 257,388	$688,337	$ (228)	$ 945,569	$ 15,139	$960,708

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	December 25, 2018	December 26, 2017	December 27, 2016
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 164,294	$ 137,536	$ 120,573
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	101,216	93,499	82,964
Deferred income taxes	12,319	(5,069)	5,994
Loss on disposition of assets	6,008	4,961	5,125
Impairment and closure costs	105	600	139
Contribution from executive officer	1,000	—	—
Equity income from investments in unconsolidated affiliates	(1,353)	(1,488)	(1,111)
Distributions of income received from investments in unconsolidated affiliates	656	1,424	1,901
Provision for doubtful accounts	(9)	10	27
Share-based compensation expense	33,983	26,934	26,067
Changes in operating working capital:			
Receivables	(15,597)	(20,379)	(10,733)
Inventories	(2,495)	(48)	(455)
Prepaid expenses	(3,023)	(1,211)	(855)
Other assets	(4,290)	(7,401)	(4,229)
Accounts payable	8,882	1,601	138
Deferred revenue—gift cards	35,519	26,678	28,284
Accrued wages	4,481	3,639	(10,194)
Excess tax benefits from share-based compensation	—	—	(3,291)
Prepaid income taxes and income taxes payable	(8,581)	3,448	2,300
Accrued taxes and licenses	2,634	2,299	919
Other accrued liabilities	7,569	5,148	3,326
Deferred rent	5,938	6,038	4,610
Other liabilities	3,612	8,154	5,566
Net cash provided by operating activities	352,868	286,373	257,065
Cash flows from investing activities:			
Capital expenditures—property and equipment	(155,980)	(161,628)	(164,738)
Acquisition of franchise restaurants, net of cash acquired	(2,165)	(16,528)	—
Net cash used in investing activities	(158,145)	(178,156)	(164,738)
Cash flows from financing activities:			
Proceeds from revolving credit facility, net	—	—	25,000
Debt issuance costs	—	(476)	—
Proceeds from noncontrolling interest contribution and other	2,551	3,457	—
Distributions to noncontrolling interest holders	(5,746)	(5,171)	(4,479)
Acquisition of noncontrolling interest	(122)	—	—
Repurchase of shares of common stock	—	—	(4,110)
Excess tax benefits from share-based compensation	—	—	3,291
Proceeds from restricted stock and other deposits, net	418	740	419
Indirect repurchase of shares for minimum tax withholdings	(14,067)	(11,639)	(9,312)
Principal payments on long-term debt and capital lease obligation	(50,000)	(558)	(145)
Proceeds from exercise of stock options	—	1,558	2,673
Dividends paid to shareholders	(68,550)	(58,154)	(52,054)
Net cash used in financing activities	(135,516)	(70,243)	(38,717)
Net increase in cash and cash equivalents	59,207	37,974	53,610
Cash and cash equivalents—beginning of period	150,918	112,944	59,334
Cash and cash equivalents—end of period	$ 210,125	$ 150,918	$ 112,944
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$ 896	$ 1,216	$ 1,011
Income taxes paid	$ 20,519	$ 50,201	$ 42,890
Capital expenditures included in current liabilities	$ 7,332	$ 12,156	$ 2,781
Obligation under capital lease	$ —	$ —	$ 2,000

See accompanying notes to Consolidated Financial Statements.

(1) Description of Business

The accompanying Consolidated Financial Statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we have a controlling interest (collectively, the "Company," "we," "our" and/or "us") as of December 25, 2018 and December 26, 2017 and for each of the years in the three-year period ended December 25, 2018.

As of December 25, 2018, we owned and operated 491 restaurants and franchised an additional 91 restaurants in 49 states and nine foreign countries. Of the 491 company restaurants that were operating at December 25, 2018, 471 were wholly-owned and 20 were majority-owned. Of the 91 franchise restaurants, 69 were domestic and 22 were international restaurants.

As of December 26, 2017, we owned and operated 462 restaurants and franchised an additional 87 restaurants in 49 states and seven foreign countries. Of the 462 company restaurants that were operating at December 26, 2017, 444 were wholly-owned and 18 were majority-owned. Of the 87 franchise restaurants, 70 were domestic and 17 were international restaurants.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 25, 2018 and December 26, 2017, we owned a 5.0% to 10.0% equity interest in 24 restaurants. Additionally, as of December 25, 2018 and December 26, 2017, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. Our investments in these unconsolidated affiliates are included in Other assets in our consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

(b) Fiscal Year

We utilize a 52 or 53 week accounting period that typically ends on the last Tuesday in December. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal years 2018, 2017 and 2016 were 52 weeks in length.

(c) Cash and Cash Equivalents

We consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents also included receivables from credit card companies, which amounted to $34.1 million and $7.2 million at December 25, 2018 and December 26, 2017, respectively, because the balances are settled within two to three business days.

(d) Receivables

Receivables consist principally of amounts due from retail gift card providers, certain franchise restaurants for reimbursement of labor costs, pre-opening and other expenses, and franchise restaurants for royalty fees.

Receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. We review our allowance for doubtful accounts quarterly. Past due balances over 120 days and a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(Tabular amounts in thousands, except share and per share data)

(e) Inventories

Inventories, consisting principally of food, beverages and supplies, are valued at the lower of cost (first-in, first-out) or net realizable value.

(f) Pre-opening Expenses

Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new restaurant and are comprised principally of opening team and training team compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses.

(g) Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on property and equipment, including assets located on leased properties, over the shorter of the estimated useful lives of the related assets or the underlying lease term using the straight-line method. In most cases, assets on leased properties are depreciated over a period of time which includes both the initial term of the lease and one or more option periods. See note 2(p) for further discussion of leases and leasehold improvements.

The estimated useful lives are:

Land improvements	10 - 25 years
Buildings and leasehold improvements	10 - 25 years
Furniture, fixtures and equipment	3 - 10 years

The cost of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived assets and included in Property and equipment, net.

Repairs and maintenance expense amounted to $29.7 million, $25.8 million and $22.4 million for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(h) Impairment of Goodwill

Goodwill represents the excess of cost over fair value of assets of businesses acquired. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other* ("ASC 350"), we perform tests to assess potential impairments at the end of each fiscal year or during the year if an event or other circumstance indicates that goodwill may be impaired. Our assessment is performed at the reporting unit level, which is at the individual restaurant level. In the first step of the review process, we compare the estimated fair value of the restaurant with its carrying value, including goodwill. If the estimated fair value of the restaurant exceeds its carrying amount, no further analysis is needed. If the estimated fair value of the restaurant is less than its carrying amount, the second step of the review process requires the calculation of the implied fair value of the goodwill by allocating the estimated fair value of the restaurant to all of the assets and liabilities of the restaurant as if it had been acquired in a business combination. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. If the carrying value of the goodwill associated with the restaurant exceeds the implied fair value of the goodwill, an impairment loss is recognized for that excess amount.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate revenue growth rates, operating margins, weighted average cost of capital and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings method or discounted cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

In 2018, 2017 and 2016, as a result of our annual goodwill impairment analysis, we determined that there was no goodwill impairment. Refer to note 7 for additional information related to goodwill and intangible assets.

(i) Other Assets

Other assets consist primarily of deferred compensation plan assets, investments in unconsolidated affiliates, deposits and costs related to the issuance of debt. The debt issuance costs are being amortized to interest expense over the term of the related debt. For further discussion of the deferred compensation plan, see note 15.

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below $300,000 at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the estimated fair value of the assets. We generally measure fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. The adjusted carrying amounts of assets to be held and used are depreciated over their remaining useful life. In 2018, 2017 and 2016, as a result of our impairment analysis, we determined that there was no impairment. For further discussion regarding closures and impairments recorded in 2018, 2017 and 2016 refer to note 16.

(Tabular amounts in thousands, except share and per share data)

(k) Insurance Reserves

We self-insure a significant portion of expected losses under our health, workers' compensation, general liability, employment practices liability, and property insurance programs. We purchase insurance for individual claims that exceed the retention amounts listed below:

Employment practices liability/Class Action	$250,000 / $2,000,000
Workers compensation	$350,000
General liability	$500,000
Employee healthcare	$325,000

In addition, we purchase property insurance for claims that exceed $50,000 after an aggregate deductible of $250,000.

We record a liability for unresolved claims and for an estimate of incurred but not reported claims based on estimates provided by management, a third party administrator and/or actuary. The estimated liability is based on a number of assumptions and factors regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. Our assumptions are reviewed, monitored, and adjusted when warranted by changing circumstances.

(l) Segment Reporting

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers. The restaurants also possess similar pricing structures, resulting in similar long-term expected financial performance characteristics. As of December 25, 2018, we operated 491 restaurants, each as a single operating segment, and franchised an additional 91 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

We recognize revenue from restaurant sales when food and beverage products are sold. Deferred revenue primarily represents our liability for gift cards that have been sold, but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue. We also recognize revenue from our franchising of Texas Roadhouse restaurants. This includes franchise royalties, initial and upfront franchise fees, fees paid to our domestic marketing and advertising fund, and fees for supervisory and administrative services. For further discussion of revenue, see note 3.

(n) Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

(o) Advertising

We have a domestic system-wide marketing and advertising fund. We maintain control of the marketing and advertising fund and, as such, have consolidated the fund's activity for the years ended December 25, 2018, December 26, 2017 and December 27, 2016. Domestic company and franchise restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. Advertising contributions related to company restaurants are recorded as a component of other operating costs. Advertising contributions received from our franchisees are recorded as a component of franchise royalties and fees in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company-owned restaurant contribution amounted to approximately $17.1 million, $14.5 million and $13.3 million for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively.

(p) Leases and Leasehold Improvements

We lease land and/or buildings for the majority of our restaurants under non-cancelable lease agreements. Our land and/or building leases typically have initial terms ranging from 10 to 15 years, and certain renewal options for one or more five-year periods. We account for leases in accordance with ASC 840, *Leases*, and other related authoritative guidance. When determining the lease term, we include option periods for which failure to renew the lease imposes a penalty on us in such an amount that renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might become impaired if we choose not to continue the use of the leased property.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and record the difference between the amounts charged to operations and amounts paid as deferred rent. We may receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease which we consider when determining straight-line rent expense. We also may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

Additionally, certain of our operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. We recognize contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable. This may result in some variability in rent expense as a percentage of sales over the term of the lease in restaurants where we pay contingent rent.

The judgment regarding the probable term for each restaurant property lease impacts the classification and accounting for a lease as capital or operating, the rent holiday and/or escalation in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. The material factor we consider when making this judgment is the total amount invested in the restaurant at the inception of the lease and whether management believes that renewal appears reasonably assured. While a different term may produce materially different amounts of depreciation, amortization and rent expense than reported, our historical lease renewal rates support the judgments made. We have not made any changes to the nature of the assumptions used to account for leases in any of the fiscal years presented in our consolidated financial statements.

Sale leasebacks are transactions through which assets (such as restaurant properties) are sold and subsequently leased back. The resulting leases generally qualify and are accounted for as operating leases. Financing leases are generally the product of a sale leaseback transaction that does not meet the criteria for sale leaseback accounting. The result of a financing lease is the retention of the "sold" assets within land, building and equipment with a financing lease obligation equal to the amount of proceeds received recorded as a component of other liabilities on our consolidated balance sheets.

(q) Use of Estimates

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting of revenue and expenses during the period to prepare these consolidated financial statements in conformity with generally accepted accounting principles in the United States ("GAAP"). Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, obligations related to insurance reserves, leases and leasehold improvements, legal reserves, gift card discounts and breakage and income taxes. Actual results could differ from those estimates.

(r) Comprehensive Income

ASC 220, *Comprehensive Income*, establishes standards for reporting and the presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and other comprehensive income (loss) items that are excluded from net income under GAAP. Other comprehensive income (loss) consists of the effective unrealized portion of changes in fair value of cash flow hedges through January 2016 and foreign currency translation adjustments. The foreign currency translation adjustment included in comprehensive income on the consolidated statements of income and comprehensive income represents the unrealized impact of translating the financial statements of our foreign investment. This amount is not included in net income and would only be realized upon the disposition of the business.

(s) Fair Value of Financial Instruments

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy. Refer to note 15 for further discussion of fair value measurement.

(t) Derivative Instruments and Hedging Activities

We do not use derivative instruments for trading purposes. We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship. We had a free standing derivative instrument that had been designated and qualified as a cash flow hedge that expired in January 2016. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. There was no hedge ineffectiveness recognized during the years ended December 25, 2018, December 26, 2017 and December 27, 2016.

(Tabular amounts in thousands, except share and per share data)

(u) Recent Accounting Pronouncements

Revenue Recognition
(ASC 606, Revenue from Contracts with Customers, "ASC 606")

On December 27, 2017, we adopted ASC 606, *Revenue from Contracts with Customers*. This ASC requires an entity to allocate the transaction price received from customers to each separate and distinct performance obligation and recognize revenue as these performance obligations are satisfied. This standard replaces most existing revenue recognition guidance in GAAP. The adoption of this standard did not have an impact on our recognition of sales from company restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise restaurant sales. As further detailed below, the adoption of this standard did have an impact on the recognition of initial franchise fees and upfront fees from international development agreements. In addition, certain transactions that were previously recorded as expense are now classified as revenue. We utilized the cumulative-effect method of adoption and recorded a $0.9 million reduction, net of tax, to retained earnings as of the first day of fiscal 2018 to reflect the change in the recognition pattern of initial franchise fees and upfront fees. The comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The cumulative effects of the changes made to our consolidated balance sheet as of December 26, 2017 as a result of the adoption of ASC 606 were as follows:

	Balance at December 26, 2017	ASC 606 Adjustments	Balance at December 27, 2017
Liabilities			
Deferred tax liabilities, net	$ 5,301	$ (299)	$ 5,002
Other liabilities, non-current	42,112	1,177	43,289
Equity			
Retained earnings	$ 602,499	$ (878)	$ 601,621

Under ASC 606, because the services we provide related to initial franchise fees and upfront fees from international development agreements do not contain separate and distinct performance obligations from the franchise right, these fees will be recognized on a straight-line basis over the term of the associated franchise agreement. Under previous guidance, initial franchise fees were recognized when the related services had been provided, which was generally upon the opening of the restaurant, and upfront fees were recognized on a pro-rata basis as restaurants under the development agreement were opened. These fees will continue to be recorded as a component of franchise royalties and fees in our consolidated statements of income and comprehensive income. ASC 606 requires sales-based royalties to continue to be recognized as franchise restaurant sales occur.

In addition, certain transactions that were previously recorded as expense are now classified as revenue. These transactions include breakage income and third party gift card fees from our gift card program as well as accounting fees, supervision fees and advertising contributions received from our franchisees. Under ASC 606, breakage income and third party gift card fees are recorded as a component of restaurant and other sales in our consolidated statements of income and comprehensive income. Under previous guidance, these transactions were recorded as a component of other operating expense. Also under ASC 606, accounting fees, supervision fees and advertising contributions received from our franchisees are recorded as a component of franchise royalties and fees in our consolidated statements of income and comprehensive income. Under previous guidance, these transactions were recorded as a reduction of general and administrative expense. As noted above, we adopted ASC 606 as of the first day of fiscal 2018. The comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods.

(Tabular amounts in thousands, except share and per share data)

The impact of adopting ASC 606 as compared to the previous revenue recognition guidance on our consolidated balance sheet and consolidated statements of income and comprehensive income was as follows:

	December 25, 2018		
	As Reported	Balances Without Adoption of ASC 606	Adoption Impact of ASC 606
Balance Sheet			
Liabilities			
Deferred tax liabilities, net	$ 17,268	$ 17,568	$ (300)
Other liabilities, non-current	48,295	47,114	1,181
Equity			
Retained earnings	$ 688,337	$ 689,218	$ (881)

	Fiscal Year Ended December 25, 2018		
	As Reported	Balances Without Adoption of ASC 606	Adoption Impact of ASC 606
Income Statement			
Revenue			
Restaurant and other sales	$ 2,437,115	$ 2,442,268	$ (5,153)
Franchise royalties and fees	20,334	17,990	2,344
Costs and expenses			
Other operating	375,477	380,630	(5,153)
General and administrative	136,163	133,815	2,348
Provision for income taxes	24,257	24,258	(1)
Net Income	$ 158,225	$ 158,228	$ (3)

Statement of Cash Flows
(Accounting Standards Update 2016-15, "ASU 2016-15")

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which adds and/or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. We adopted this guidance as of the beginning of our 2018 fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

Income Taxes
(Accounting Standards Update 2016-16, "ASU 2016-16")

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740)*, which addresses the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will require recognition of current and deferred income taxes resulting from an intra-entity transfer of an asset other than inventory when the transfer occurs. We adopted this guidance as of the beginning of our 2018 fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

Compensation – Stock Compensation
(Accounting Standards Update 2017-09, "ASU 2017-09")

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when a change in the terms or conditions of a share-based payment award must be accounted for as a modification. ASU 2017-09 requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change in the terms and conditions of the award. We adopted this guidance as of the beginning of our 2018 fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

Leases
(Accounting Standards Update 2016-02, "ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases. This update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (our 2019 fiscal year). In March 2018, the FASB approved an amendment that allowed a modified retrospective approach and new required lease disclosures for all leases existing or entered into after either the beginning of the year of adoption or the earliest comparative period in the consolidated financial statements. We will adopt ASU 2016-02 using a modified retrospective approach as of the beginning of the year of adoption. As a result, the comparative financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before December 26, 2018. We will take advantage of the transition package of practical expedients permitted within the new standard which will allow us to carryforward the historical lease classification. We will also elect the practical expedient to not separate lease and non-lease components for all leases as well as the hindsight practical expedient. The election of the hindsight practical expedient will result in a change in lease terms for certain existing leases.

We estimate the adoption of this standard will result in the recognition of a right-of-use asset of approximately $470.0 million, net of deferred rent of $48.1 million, and a lease liability of $520.0 million as of December 26, 2018, our initial date of adoption. There will be no significant impact to our results of operations, cash flows, or the related notes. We do not believe this standard will have a significant impact on our liquidity. The standard will have no impact on our compliance with our financial covenants associated with our credit facility.

Financial Instruments
(Accounting Standards Update 2016-13, "ASU 2016-13")

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected versus incurred losses for financial assets held. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 (our 2020 fiscal year), with early adoption permitted for annual periods beginning after December 15, 2018. We are currently assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows.

Goodwill
(Accounting Standards Update 2017-04, "ASU 2017-04")

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* which simplifies the accounting for goodwill impairment and is expected to reduce the cost and complexity of accounting for goodwill. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Instead, goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of the goodwill. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019 (our 2020 fiscal year) and will be applied on a prospective basis. Early adoption is permitted for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows.

Fair Value Measurement
(Accounting Standards Update 2018-13, "ASU 2018-13")

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which eliminates, modifies and adds disclosure requirements for fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019 (our 2020 fiscal year) and for interim periods within those years, with early adoption permitted. We are currently assessing the impact of this new standard on our consolidated financial statements.

(3) Revenue

The following table disaggregates our revenue by major source (in thousands):

	Fiscal Year Ended		
	December 25, 2018	**December 26, 2017**	**December 27, 2016**
Restaurant and other sales	$ 2,437,115	$ 2,203,017	$ 1,974,261
Franchise royalties	17,443	16,195	16,135
Franchise fees	2,891	319	318
Total revenue	$ 2,457,449	$ 2,219,531	$ 1,990,714

Restaurant sales include the sale of food and beverage products to our customers. We recognize this revenue when the products are sold. All sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of income and comprehensive income.

Other sales include the amortization of gift card breakage and fees associated with third party gift card sales. We record deferred revenue for gift cards that have been sold but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue. For some of the gift cards that are sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that approximately 4% of the value of the gift cards sold by our company and our third party retailers will never be redeemed. This breakage adjustment is recorded consistent with the historic redemption pattern of the associated gift card. In addition, we incur fees on all gift cards that are sold through third party retailers. These fees are also deferred and recorded consistent with the historic redemption pattern of the associated gift cards. For the year ended December 25, 2018, we recognized gift card fees, net of gift card breakage income, of approximately $5.2 million. Total deferred revenue related to our gift cards is included in deferred revenue-gift cards in our consolidated balance sheets and includes the full value of unredeemed gift cards less the amortized portion of the breakage rates and the unamortized portion of third party fees. As of December 25, 2018 and December 26, 2017, our deferred revenue balance related to gift cards was approximately $192.2 million and $156.6 million, respectively. This change was primarily due to the sale of additional gift cards partially offset by the redemption of gift cards. We recognized restaurant sales of approximately $108.7 million for the year ended December 25, 2018 related to the amount in deferred revenue as of December 26, 2017.

Franchise royalties include continuing fees received from our franchising of Texas Roadhouse restaurants. We execute franchise agreements for each franchise restaurant which sets out the terms of our arrangement with the franchisee. These agreements require the franchisee to pay ongoing royalties of generally 4.0% of gross sales from our domestic franchisees, along with royalties paid to us by our international franchisees. Franchise royalties are recognized as revenue as the corresponding franchise restaurant sales occur.

(Tabular amounts in thousands, except share and per share data)

Franchise fees are all remaining fees from our franchisees including initial fees, upfront fees from international agreements, fees paid to our domestic marketing and advertising fund, and fees for supervisory and administrative services. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. These initial fees and renewal fees are deferred and recognized over the term of the agreement. We also enter into area development agreements for the development of international Texas Roadhouse restaurants. Upfront fees from development agreements are deferred and recognized on a pro-rata basis over the term of the individual restaurant franchise agreement as restaurants under the development agreement are opened. Our domestic franchise agreement also requires our franchisees to remit 0.3% of sales to our system-wide marketing and advertising fund. These amounts are recognized as revenue as the corresponding franchise restaurant sales occur. Finally, we perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Total deferred revenue related to our franchise agreements is included in other liabilities in our consolidated balance sheets and was approximately $1.8 million as of December 25, 2018 and December 26, 2017. We recognized revenue of approximately $0.3 million for the year ended December 25, 2018 related to the amount in deferred revenue as of December 26, 2017.

(4) Acquisitions

On December 3, 2018, we acquired one franchise restaurant in Florida which was subsequently relocated. Pursuant to the terms of the acquisition agreement, we paid a total purchase price of $2.2 million, net of a $0.3 million charge to settle a pre-existing relationship. This transaction was accounted for using the purchase method as defined in ASC 805, *Business Combinations.* As a result of this acquisition, $2.2 million of goodwill was generated, which is not amortizable for book purposes, but is deductible for tax purposes.

The purchase price has been preliminarily allocated as follows:

Current assets	$ 42
Property and equipment	43
Goodwill	2,180
Current liabilities	(97)
	$ 2,168

On December 28, 2016, we acquired four franchise restaurants in Florida and Georgia. Pursuant to the terms of the acquisition agreements, we paid a total purchase price of $16.5 million, net of cash acquired. Two of the acquired restaurants are wholly-owned and the remaining two restaurants are majority-owned. For the two majority-owned restaurants, we received a noncontrolling interest contribution of $3.5 million.

These transactions were accounted for using the purchase method as defined in ASC 805. Based on a purchase price of $16.5 million, $4.5 million of goodwill was generated by the acquisition, which is not amortizable for book purposes, but is deductible for tax purposes.

The purchase price has been allocated as follows:

Current assets	$ 170
Property and equipment	12,281
Goodwill	4,469
Current liabilities	(392)
	$ 16,528

(Tabular amounts in thousands, except share and per share data)

These acquisitions are consistent with our long-term strategy to increase net income and earnings per share. Pro forma results of operations and revenue and earnings for the years ended December 25, 2018 and December 26, 2017 have not been presented because the effect of the acquisitions was not material to our consolidated financial position, results of operations or cash flows.

(5) Long-term Debt and Obligation Under Capital Lease

Long-term debt consisted of the following:

	December 25, 2018	December 26, 2017
Obligation under capital lease	$ 2,081	$ 1,990
Revolver	—	50,000
	2,081	51,990
Less current maturities	—	9
	$ 2,081	$ 51,981

During the year ended December 27, 2016, we amended an existing lease at one restaurant location to acquire additional square footage. As a result of this amendment, the lease qualified as a capital lease.

On August 7, 2017, we entered into the Amended and Restated Credit Agreement (the "Amended Credit Agreement") with respect to our revolving credit facility with a syndicate of commercial lenders led by JPMorgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo Bank, N.A. The amended revolving credit facility remains an unsecured, revolving credit agreement under which we may borrow up to $200.0 million with the option to increase the amended revolving credit facility by an additional $200.0 million subject to certain limitations. The Amended Credit Agreement extends the maturity date of our revolving credit facility until August 5, 2022.

The terms of the Amended Credit Agreement require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875% and to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, in each case depending on our consolidated net leverage ratio, or the Alternate Base Rate, which is the highest of the issuing banks' prime lending rate, the Federal Reserve Bank of New York rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. The weighted-average interest rate for the amended revolving credit facility as of December 25, 2018 and December 26, 2017 was 3.81% and 2.37%, respectively. As of December 25, 2018, we had $191.6 million of availability, net of $8.4 million of outstanding letters of credit.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The Amended Credit Agreement permits us to incur additional secured or unsecured indebtedness outside the amended revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate is equal to or greater than $125.0 million and 20% of our consolidated tangible net worth. We were in compliance with all financial covenants as of December 25, 2018.

(Tabular amounts in thousands, except share and per share data)

(6) Property and Equipment, Net

Property and equipment were as follows:

	December 25, 2018	December 26, 2017
Land and improvements	$ 127,579	$ 124,126
Buildings and leasehold improvements	835,490	757,293
Furniture, fixtures and equipment	556,254	500,954
Construction in progress	28,975	47,457
Liquor licenses	10,829	10,027
	1,559,127	1,439,857
Accumulated depreciation and amortization	(602,451)	(527,710)
	$ 956,676	$ 912,147

The amount of interest capitalized in connection with restaurant construction was approximately $0.1 million, $0.4 million and $0.3 million for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively.

(7) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill and intangible assets are as follows:

	Goodwill	Intangible Assets
Balance as of December 27, 2016 (1)	$ 116,571	$ 3,622
Additions	4,469	—
Amortization expense	—	(922)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 26, 2017	$ 121,040	$ 2,700
Additions	2,180	—
Amortization expense	—	(741)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 25, 2018	$ 123,220	$ 1,959

(1) Net of $4.8 million of accumulated goodwill impairment losses.

Intangible assets consist of reacquired franchise rights. The gross carrying amount and accumulated amortization of the intangible assets at December 25, 2018 were $15.4 million and $13.4 million, respectively. As of December 26, 2017, the gross carrying amount and accumulated amortization of the intangible assets was $15.4 million and $12.7 million. We amortize reacquired franchise rights on a straight-line basis over the remaining term of the franchise operating agreements, which varies by restaurant. Amortization expense for the next five years is expected to range from $0.2 million to $0.7 million. Refer to note 4 for discussion of the acquisitions completed for the years ended

(Tabular amounts in thousands, except share and per share data)

December 25, 2018 and December 26, 2017.

(8) Leases

The following is a schedule of future minimum lease payments required for operating leases that have remaining terms in excess of one year as of December 25, 2018:

	Operating Leases
2019	$ 50,030
2020	49,582
2021	49,917
2022	50,237
2023	49,854
Thereafter	677,710
Total	$ 927,330

Rent expense for operating leases consisted of the following:

	Fiscal Year Ended		
	December 25, 2018	December 26, 2017	December 27, 2016
Minimum rent—occupancy	$ 47,741	$ 43,621	$ 39,405
Contingent rent	1,050	1,186	1,175
Rent expense, occupancy	48,791	44,807	40,580
Minimum rent—equipment and other	6,176	5,087	4,379
Rent expense	$ 54,967	$ 49,894	$ 44,959

(9) Income Taxes

Components of our income tax provision for the years ended December 25, 2018, December 26, 2017 and December 27, 2016 are as follows:

	Fiscal Year Ended		
	December 25, 2018	December 26, 2017	December 27, 2016
Current:			
Federal	$ 2,934	$ 43,108	$ 36,201
State	8,794	10,233	8,786
Foreign	210	309	202
Total current	11,938	53,650	45,189
Deferred:			
Federal	11,909	(4,830)	5,364
State	410	(239)	630
Total deferred	12,319	(5,069)	5,994
Income tax provision	$ 24,257	$ 48,581	$ 51,183

Our pre-tax income is substantially derived from domestic restaurants.

(Tabular amounts in thousands, except share and per share data)

A reconciliation of the statutory federal income tax rate to our effective tax rate for December 25, 2018, December 26, 2017 and December 27, 2016 is as follows:

	Fiscal Year Ended		
	December 25, 2018	December 26, 2017	December 27, 2016
Tax at statutory federal rate	21.0 %	35.0 %	35.0 %
State and local tax, net of federal benefit	3.6	3.3	3.4
FICA tip tax credit	(9.6)	(7.0)	(6.8)
Work opportunity tax credit	(1.5)	(0.9)	(0.8)
Stock compensation	(1.4)	(1.8)	(0.1)
Net income attributable to noncontrolling interests	(0.8)	(1.1)	(0.9)
Officers compensation	1.7	0.1	0.1
Tax reform	—	(1.7)	—
Other	(0.1)	0.2	(0.1)
Total	12.9 %	26.1 %	29.8 %

Our effective tax rate decreased to 12.9% in 2018 compared to 26.1% in 2017 primarily due to new tax legislation enacted in late 2017. As a result of the new tax legislation, significant tax changes were enacted including a reduction of the federal corporate tax rate from 35.0% to 21.0% and changes in the federal taxes paid on foreign sourced earnings.

Our effective tax rate decreased to 26.1% in 2017 compared to 29.8% in 2016 primarily due to the adoption of Accounting Standards Update 2016-09, *Compensation – Stock Compensation ("ASU 2016-09")* and new tax legislation that was enacted in late 2017. As a result of the new guidance requirements, excess tax benefits and tax deficiencies from share-based compensation are recognized within the income tax provision. During 2017, we recognized $3.4 million, or $0.05 per share, as an income tax benefit related to the new guidance requirements. Also during 2017, as a result of the new tax legislation, we recognized $3.1 million, or $0.04 per share, as an income tax benefit which includes an income tax benefit of approximately $3.8 million to revalue our deferred tax balances as of the enactment date and an income tax expense of approximately $0.7 million related to our foreign operations.

During the first quarter of 2017, we adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which required deferred tax assets and liabilities to be classified as noncurrent on our consolidated balance sheets. We adopted ASU 2015-17 on a prospective basis.

(Tabular amounts in thousands, except share and per share data)

Components of deferred tax liabilities, net are as follows:

	December 25, 2018	December 26, 2017
Deferred tax assets:		
Deferred revenue—gift cards	$ 12,851	$ 10,355
Insurance reserves	3,949	3,638
Other reserves	890	621
Share-based compensation	4,623	6,022
Deferred rent	12,179	10,338
Deferred compensation	8,483	6,737
Other assets	2,212	1,866
Total deferred tax asset	45,187	39,577
Deferred tax liabilities:		
Property and equipment	(50,513)	(35,430)
Goodwill and intangibles	(5,398)	(4,697)
Other liabilities	(6,544)	(4,751)
Total deferred tax liability	(62,455)	(44,878)
Net deferred tax liability	$ (17,268)	$ (5,301)

We have not provided any valuation allowance as we believe the realization of our deferred tax assets is more likely than not.

A reconciliation of the beginning and ending liability for unrecognized tax benefits, all of which would impact the effective tax rate if recognized, is as follows:

Balance at December 27, 2016	$ 511
Additions to tax positions related to prior years	36
Additions to tax positions related to current year	389
Reductions due to statute expiration	(2)
Reductions due to exam settlements	(128)
Balance at December 26, 2017	806
Additions to tax positions related to prior years	36
Additions to tax positions related to current year	754
Reductions due to statute expiration	(114)
Reductions due to exam settlement	—
Balance at December 25, 2018	$ 1,482

As of December 25, 2018 and December 26, 2017, the total amount of accrued penalties and interest related to uncertain tax provisions was not material.

All entities for which unrecognized tax benefits exist as of December 25, 2018 possess a December tax year-end. As a result, as of December 25, 2018, the tax years ended December 29, 2015, December 27, 2016 and December 26, 2017 remain subject to examination by all tax jurisdictions. As of December 25, 2018, no audits were in process by a tax jurisdiction that, if completed during the next twelve months, would be expected to result in a material change to our unrecognized tax benefits. Additionally, as of December 25, 2018, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 31, 2019.

(10) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 25, 2018 and December 26, 2017.

(11) Stockholders' Equity

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

We did not repurchase any shares of common stock during the years ended December 25, 2018 and December 26, 2017. For the year ended December 27, 2016, we paid approximately $4.1 million to repurchase 114,700 shares of our common stock, respectively. As of December 25, 2018, we had approximately $69.9 million remaining under our authorized stock repurchase program.

(12) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average restricted stock units and stock options outstanding from our equity incentive plans. Performance stock units ("PSUs") are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 14 for further discussion of our equity incentive plans.

For the year ended December 25, 2018, there were no shares of nonvested stock that were outstanding but not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the years ended December 26, 2017 and December 27, 2016, there were 2,082 and two shares of nonvested stock, respectively, that were not included because they would have had an anti-dilutive effect.

The following table sets forth the calculation of earnings per share and weighted average shares outstanding (in thousands) as presented in the accompanying consolidated statements of income and comprehensive income:

	Fiscal Year Ended		
	December 25, 2018	December 26, 2017	December 27, 2016
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 158,225	$ 131,526	$ 115,598
Basic EPS:			
Weighted-average common shares outstanding	71,467	70,989	70,396
Basic EPS	$ 2.21	$ 1.85	$ 1.64
Diluted EPS:			
Weighted-average common shares outstanding	71,467	70,989	70,396
Dilutive effect of stock options and nonvested stock	497	538	656
Shares-diluted	71,964	71,527	71,052
Diluted EPS	$ 2.20	$ 1.84	$ 1.63

(13) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 25, 2018 and December 26, 2017 was approximately $168.3 million and $150.0 million, respectively.

(Tabular amounts in thousands, except share and per share data)

As of December 25, 2018 and December 26, 2017, we are contingently liable for $14.8 million and $15.6 million, respectively, for seven leases listed in the table below. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 25, 2018 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1)(2)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2021
Fargo, North Dakota (1)(2)	February 2006	July 2021
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (3)	December 2013	December 2019
Louisville, Kentucky (3)(4)	December 2013	November 2023

(1) Real estate lease agreements for restaurant locations which we entered into before granting franchise rights to those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable, under the terms of the lease, if the franchisee defaults.
(2) As discussed in note 19, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.
(3) Leases associated with restaurants which were sold. The leases were assigned to the acquirer, but we remain contingently liable under the terms of the lease if the acquirer defaults.
(4) We may be released from liability after the initial contractual lease term expiration contingent upon certain conditions being met by the acquirer.

During the year ended December 25, 2018, we bought most of our beef from three suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages, higher costs to secure adequate supplies and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

We and the U.S. Equal Employment Opportunity Commission entered into a consent decree dated March 31, 2017 (the "Consent Decree") to settle the lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts, Civil Action Number 1:11-cv-11732 (the "Lawsuit"). The Consent Decree resolves the issues litigated in the Lawsuit. Under the Consent Decree, among other terms, we have established a fund of $12.0 million, from which awards of monetary relief, allocated as wages for tax purposes, may be made to eligible claimants in accordance with procedures set forth in the Consent Decree. For the year ended December 26, 2017, we recorded a pre-tax charge of $14.9 million ($9.2 million after-tax) related to the Lawsuit and Consent Decree which included costs associated with the legal settlement and legal fees associated with the defense of the case. For the year ended December 25, 2018, we recorded $1.5 million of claims administration costs. These amounts were recorded in general and administrative expense in our consolidated statements of income and comprehensive income. The pre-tax charge was recorded in general and administrative expense in our consolidated statements of income and comprehensive income.

On July 15, 2016, the Florida Circuit Court in Palm Beach County approved a settlement agreement styled Andrew Lovett and Semaj Miller, individually and on behalf of others, v. Texas Roadhouse Management Corp. (Case no. 50-2016-CA-007714-MB-AO) resolving alleged violations of the Fair Labor Standards Act asserted on behalf of a purported nationwide class of current and former employees in exchange for a settlement payment not to exceed $9.5 million. For the year ended December 27, 2016, we recorded a charge of $7.3 million ($4.5 million after-tax) to cover the costs of the settlement including payments to opt-in members and class attorneys, as well as related settlement administration costs. The pre-tax charge was recorded in general and administrative expenses in our consolidated statements of income and comprehensive income.

(Tabular amounts in thousands, except share and per share data)

Occasionally, we are a defendant in litigation arising in the ordinary course of business, including "slip and fall" accidents, employment related claims, claims related to our service of alcohol, and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us and, as of the date of this report, we are not party to any litigation that we believe could have a material adverse effect on our business.

(14) Share-based Compensation

On May 16, 2013, our stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of incentive and non-qualified stock options to purchase shares of common stock, stock appreciation rights, and full value awards, including restricted stock, restricted stock units ("RSUs"), deferred stock units, performance stock and performance stock units ("PSUs"). This plan replaced the Texas Roadhouse, Inc. 2004 Equity Incentive Plan.

The following table summarizes the share-based compensation recorded in the accompanying consolidated statements of income and comprehensive income:

	Fiscal Year Ended		
	December 25, 2018	December 26, 2017	December 27, 2016
Labor expense	$ 8,463	$ 7,171	$ 6,124
General and administrative expense	25,520	19,763	19,943
Total share-based compensation expense	$ 33,983	$ 26,934	$ 26,067

Effective December 28, 2016, we adopted ASU 2016-09 which amends and simplifies the accounting for stock compensation. As a result of the adoption of ASU 2016-09, we made a change in our accounting for forfeitures to record as they occur and, as a result, we recorded a $0.1 million cumulative-effect reduction to retained earnings in the year of adoption under the modified retrospective approach. We elected prospective transition for the requirement to classify excess tax benefits as an operating activity in the consolidated statement of cash flows. No prior periods have been adjusted As a result of this adoption, all excess tax benefits and tax deficiencies for restricted shares that vested or options exercised have been recognized within the income tax provision in the consolidated statements of income and comprehensive income for the years ended December 25, 2018 and December 26, 2017. See note 9 for further discussion.

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by granting RSUs as a form of share-based compensation. Prior to 2008, we issued stock options as share-based compensation to our employees. Beginning in 2015, we began granting PSUs to certain of our executives. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. A PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement. In 2017, all remaining unexercised stock options expired leaving only RSUs and

(Tabular amounts in thousands, except share and per share data)

PSUs outstanding. Share-based compensation activity by type of grant as of December 25, 2018 and changes during the period then ended are presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 26, 2017	949,991	$ 43.62		
Granted	439,259	60.79		
Forfeited	(35,077)	47.66		
Vested	(529,228)	42.20		
Outstanding at December 25, 2018	824,945	$ 53.51	1.3	$ 46,870

As of December 25, 2018, with respect to unvested RSUs, there was $22.0 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.3 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the years ended December 25, 2018, December 26, 2017 and December 27, 2016 was $32.1 million, $23.4 million and $21.5 million, respectively. The excess tax benefit associated with vested RSUs for the years ended December 25, 2018 and December 26, 2017 was $1.9 million and $1.6 million, respectively, which was recognized in the income tax provision. The excess tax benefit associated with vested RSUs for the year ended December 27, 2016 was $1.5 million which was recorded in additional paid-in-capital in the consolidated balance sheets.

Summary Details for PSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 26, 2017	205,000	$ 46.16		
Granted	—	—		
Incremental Performance Shares (1)	40,576	39.88		
Forfeited	—	—		
Vested	(155,576)	39.88		
Outstanding at December 25, 2018	90,000	$ 54.18	0.1	$ 5,113

(1) Additional shares from the November 2016 PSU grant that vested in January 2018 due to exceeding the initial 100% target.

Beginning in 2015, we granted PSUs to certain of our executives subject to a one-year vesting and the achievement of certain earnings targets, which determine the number of units to vest at the end of the vesting period. Share-based compensation is recognized for the number of units expected to vest at the end of the period and is expensed beginning on the grant date and through the performance period. For each grant, PSUs vest after meeting the performance and service conditions. The total intrinsic value of PSUs vested during the years ended December 25, 2018, December 26, 2017 and December 27, 2016 was $8.9 million, $8.6 million and $5.0 million, respectively.

On January 8, 2019, 142,169 shares vested related to the December 2017 PSU grant and are expected to be distributed during the 13 weeks ending March 26, 2019. This included 90,000 granted shares and 52,169 incremental shares due to the grant exceeding the initial 100% target. As of December 25, 2018, with respect to unvested PSUs, there was $0.3 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.1 year. The excess tax benefit associated with vested PSUs for the years ended December 25, 2018 and December 26, 2017 was $0.7 million and $0.8 million, respectively, which was recognized within the income tax provision.

(Tabular amounts in thousands, except share and per share data)

Summary Details for Stock Options

No stock options were granted or vested during the fiscal years ended December 25, 2018, December 26, 2017 and December 27, 2016. The total intrinsic value of options exercised during the years ended December 26, 2017 and December 27, 2016 was $4.0 million and $6.3 million, respectively.

For the years ended December 26, 2017 and December 27, 2016, cash received before tax withholdings from options exercised was $1.6 million and $2.7 million, respectively. The excess tax benefit for the year ended December 26, 2017 was $1.0 million which was recognized within the income tax provision. The excess tax benefit for the year ended December 27, 2016 was $1.8 million which was recorded in additional paid-in-capital in the consolidated balance sheets.

(15) Fair Value Measurement

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date.

Level 1	Inputs based on quoted prices in active markets for identical assets.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.
Level 3	Inputs that are unobservable for the asset.

There were no transfers among levels within the fair value hierarchy during the year ended December 25, 2018.

The following table presents the fair values for our financial assets and liabilities measured on a recurring basis:

	Fair Value Measurements		
	Level	December 25, 2018	December 26, 2017
Deferred compensation plan—assets	1	$ 31,632	$ 28,754
Deferred compensation plan—liabilities	1	(31,721)	(28,829)

The Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended, (the "Deferred Compensation Plan") is a nonqualified deferred compensation plan which allows highly compensated employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds held in a rabbi trust. We report the accounts of the rabbi trust in other assets and the corresponding liability in other liabilities in our consolidated financial statements. These investments are considered trading securities and are reported at fair value based on quoted market prices. The realized and unrealized holding gains and losses related to these investments, as well as the offsetting compensation expense, are recorded in general and administrative expense in the consolidated statements of income and comprehensive income.

At December 25, 2018 and December 26, 2017, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our amended revolving credit facility at December 26, 2017 approximated its carrying value since it is a variable rate credit facility (Level 2).

(16) Impairment and Closure Costs

We recorded closure costs of $0.3 million, $0.7 million and $0.2 million for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively, related to costs associated with the relocation of restaurants.

(Tabular amounts in thousands, except share and per share data)

(17) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under FASB ASC 815, *Derivatives and Hedging* ("ASC 815"). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We attempt to minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We attempt to minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

The following table summarizes the effect of our interest rate swaps in the consolidated statements of income and comprehensive income for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively:

	December 25, 2018	December 26, 2017	December 27, 2016
Gain recognized in AOCI, net of tax (effective portion) (1)	$ —	$ —	$ 27
Loss reclassified from AOCI to income (effective portion) (1)	$ —	$ —	$ 45

(1) The fiscal year ended December 27, 2016 included the effect of one interest rate swap which expired on January 7, 2016.

The loss reclassified from AOCI to income was recognized in interest expense on our consolidated statements of income and comprehensive income. For each of the years ended December 25, 2018, December 26, 2017 and December 27, 2016, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the consolidated statements of income and comprehensive income.

(18) Accumulated Other Comprehensive Loss

The components of the changes in accumulated other comprehensive loss for the years ended December 25, 2018 and December 26, 2017, all of which related to foreign currency translation adjustments, were as follows:

	Accumulated Other Comprehensive Loss
Balance as of December 27, 2016	(194)
Other comprehensive loss	252
Income taxes	(97)
Balance as of December 26, 2017	$ (39)
Other comprehensive loss	(242)
Income taxes	53
Balance as of December 25, 2018	$ (228)

(19) Related Party Transactions

As of December 25, 2018, we had nine franchise restaurants and one majority-owned company restaurant owned in whole or part by certain of our officers, directors and 5% stockholders of the Company. As of December 26, 2017 and December 27, 2016, we had 10 franchise restaurants owned in whole or part by certain of our officers, directors and 5% stockholders of the Company. These franchise entities paid us fees of $2.1 million, $2.1 million and $2.0 million for the years ended December 25, 2018, December 26, 2017 and December 27, 2016, respectively. As discussed in note 13, we are contingently liable on leases which are related to two of these restaurants.

(Tabular amounts in thousands, except share and per share data)

On December 3, 2018, we acquired one franchise restaurant owned in part by our founder. This entity paid us fees of $0.1 million for the year ended December 25, 2018. See note 4 for further discussion of this acquisition.

In addition, in 2018, our founder made a personal contribution of $1.0 million to cover a portion of the planned expenses incurred as part of the annual managing partner conference which marked our 25th anniversary. This amount was recorded as general and administrative expense on the consolidated statements of income and comprehensive income and as additional paid-in-capital on the consolidated statements of stockholders' equity.

(20) Selected Quarterly Financial Data (unaudited)

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 627,705	$ 629,237	$ 594,595	$ 605,912	$ 2,457,449
Total costs and expenses	$ 562,834	$ 574,970	$ 559,151	$ 572,705	$ 2,269,660
Income from operations	$ 64,871	$ 54,267	$ 35,444	$ 33,207	$ 187,789
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 54,541	$ 44,227	$ 29,125	$ 30,332	$ 158,225
Basic earnings per common share	$ 0.76	$ 0.62	$ 0.41	$ 0.42	$ 2.21
Diluted earnings per common share	$ 0.76	$ 0.62	$ 0.40	$ 0.42	$ 2.20
Cash dividends declared per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 1.00

	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 567,686	$ 566,262	$ 540,507	$ 545,076	$ 2,219,531
Total costs and expenses	$ 518,664	$ 512,048	$ 494,996	$ 507,617	$ 2,033,325
Income from operations	$ 49,022	$ 54,214	$ 45,511	$ 37,459	$ 186,206
Net income attributable to Texas Roadhouse, Inc. and subsidiaries (a)	$ 34,313	$ 37,581	$ 31,014	$ 28,618	$ 131,526
Basic earnings per common share (a)	$ 0.48	$ 0.53	$ 0.44	$ 0.40	$ 1.85
Diluted earnings per common share (a)	$ 0.48	$ 0.53	$ 0.43	$ 0.40	$ 1.84
Cash dividends declared per share	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.84

(a) The first quarter of 2017 includes an after-tax charge of $9.2 million, or $0.13 per basic and diluted share, related to the settlement of a legal matter. See note 13 for further discussion. The fourth quarter of 2017 includes an income tax benefit of $3.1 million, or $0.04 per basic and diluted share, related to the enactment of new income tax legislation. See note 9 for further discussion.

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2018 Sustainability UPDATE

DEAR SHAREHOLDERS,

Last year, we launched our first Sustainability Report, which revolves around four pillars: Food, Community, Employees, and Conservation.

Our sustainability goal is to leave every community better than we found it. Whether it's creating jobs, planting trees in local parks, feeding veterans and active military, helping support a sustainable bee population, or finding ways to save valuable resources, Texas Roadhouse is committed to sustainability.

We have often stated that our Managing Partner model, which provides our Managing Partners 10% of their restaurants' profits, gives us an advantage over our competitors. This ownership mentality, or "skin in the game," creates an incentive for our Managing Partners to operate profitable restaurants.

We believe the ancillary benefit of this is that they are also incentivized to control waste and be good stewards of their resources, which is a key driver of our sustainability efforts. For example, having in-house Meat Cutters provides higher-quality steaks to our guests and helps to reduce millions of pounds of food waste each year.

In 2018, we also made the decision to communicate our annual sustainability updates in our Annual Report, on our website, and to our Board of Directors.

One highlight of this year's Sustainability Report is an addition to our Animal Welfare Policy, which now includes information about the United Egg Producers (UEP) certification that our egg suppliers participate in. UEP certification includes:

- Code of conduct signed by employees trained in animal care
- Annual compliance assessment conducted by independent, third-party auditors
- Scientifically-supported standards for allotment of space for hens in various housing environments
- Feed, clean water, and fresh air 24/7

UEP certification has been endorsed by the Food Marketing Institute and the National Council of Chain Restaurants.

In addition to updating our Animal Welfare Policy, recycling continues to be a focus. Last year, we saw a drop in the number of stores participating in recycling programs from 96% to 74% from last year's report. This drop is attributed to an excess of recyclables after China stopped importing from the U.S. and other countries.

We are also testing a crayon recycling program in our restaurants this year. We will continue to find opportunities to provide sustainability messaging in our kids' activity books and as part of kids' night activities in our restaurants.

Another opportunity we are exploring is replacing neon signs with LED, which will save energy and lead to cost savings for our partners through fewer repairs and other benefits, which is a win-win.

To further our commitment to supporting the bee population, we recently partnered with the Honeybee Conservancy, a 501c3 non-profit that works to bolster bee populations by placing honey and solitary bees in 'bee sanctuaries' across the U.S. As part of our partnership, we will place hives in communities across the country to educate the community and inspire others to get involved.

We look forward to providing more updates going forward as we are committed to sustainability in every community we serve. To review our 2018 Sustainability Report, visit our website at **texasroadhouse.com/sustainability**.

Travis Doster
Vice President of Communications

Giving Back TO EVERY COMMUNITY WE SERVE

PLANTING IT FORWARD

- In 2018, we donated $50,000 to support the **Arbor Day Foundation's Community Tree Recovery** campaign.
- We will continue this commitment and donate $50,000 to the Arbor Day Foundation each year through 2021 to support the replanting of trees in areas affected by the recent hurricanes.

COMMITTED TO CHANGE WELL DONE

WE MAKE IT OUR MISSION TO LEAVE EVERY COMMUNITY BETTER THAN WHEN WE FOUND IT.

FOOD
AN APPETITE TO DO BETTER.

Serving families safe, nutritious food starts with responsible sourcing and delicious Hand-Cut Steaks.

COMMUNITY
AT THE HEART OF IT ALL.

From veteran heroes to local sports teams, and hunger relief to natural disasters, we're proud to be part of it all.

EMPLOYEES
OUR SECRET TO SUCCESS.

Once a Roadie, always a Roadie. For a diverse and inclusive culture, partnership is everything.

CONSERVATION
WASTE NOT. WANT NOT.

From bees to trees, preserving natural resources and reducing food, water, and energy waste is just the start.

Preserving RESOURCES THROUGH RECYCLING

TREES SAVED 83,175

GHG EMISSIONS SAVED 42,546 MTCO2E

ELECTRICITY SAVED 19.60M KW

WATER SAVED 48.52M GAL

Source: Waste Management

SHAREHOLDER INFORMATION

SUPPORT CENTER
(CORPORATE OFFICE)
6040 Dutchmans Lane
Louisville, KY 40205
(800) TEX-ROAD
(800) 839-7623

ANNUAL MEETING
Thursday, May 23, 2019
9:00 am EDT
Texas Roadhouse Support Center
6040 Dutchmans Lane
Louisville, KY 40205

TRANSFER AGENT
Computershare
P.O. Box 505000
Louisville, KY 40233
Phone (877) 581-5548

FINANCIAL INQUIRIES
For additional financial documents and information, please visit our website at www.texasroadhouse.com. Please contact us by phone at (502) 515-7300 or by sending us an e-mail to investment@texasroadhouse.com

INDEPENDENT AUDITORS
KPMG LLP
400 W. Market Street, Suite 2600
Louisville, KY 40202
Phone (502) 587-0535

MEDIA INQUIRIES
For all media requests, please contact
Travis Doster at (502) 638-5457

STOCK LISTING
Texas Roadhouse, Inc. Common Stock is listed on the NASDAQ Stock Exchange under the symbol TXRH

BOARD OF DIRECTORS

CURTIS A. WARFIELD
Chief Audit Executive
Anthem, Inc.

GREGORY N. MOORE
Former Senior Vice President, Controller
Yum! Brands, Inc.

JAMES R. ZARLEY
Former Chief Executive Officer,
Chairman of the Board
Conversant, Inc.

KATHLEEN M. WIDMER
Company Group Chairman, North America Consumer
Johnson & Johnson

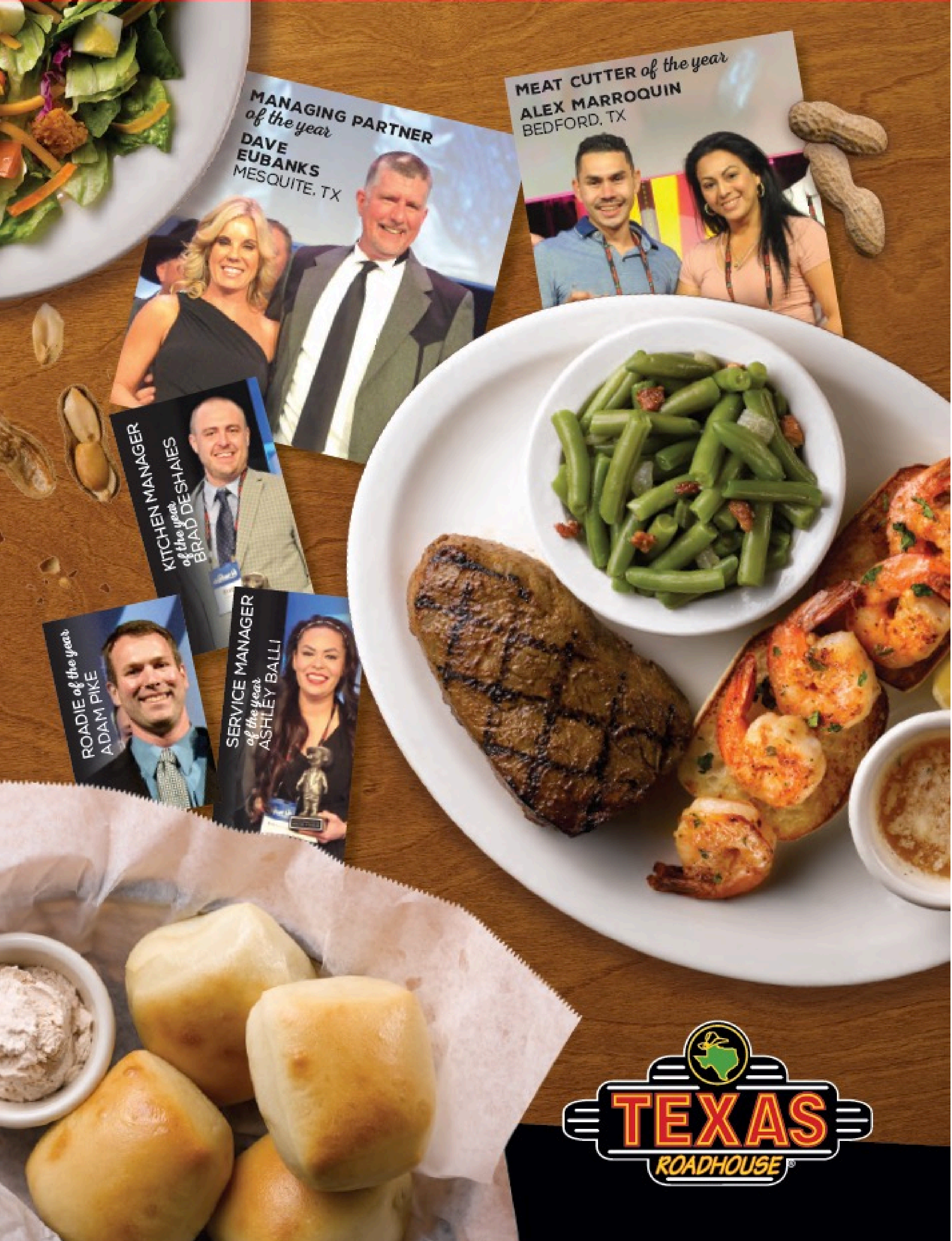
W. KENT TAYLOR
Founder and Chairman, Chief Executive Officer
Texas Roadhouse, Inc.

In Memoriam
JAMES F. PARKER

RESTAURANT LOCATIONS AS OF DECEMBER 25, 2018

DOMESTIC: 560

INTERNATIONAL: 22


MANAGING PARTNER
of the year
DAVE
EUBANKS
MESQUITE, TX
MEAT CUTTER of the year
ALEX MARROQUIN
BEDFORD, TX
KITCHEN MANAGER
of the year
BRAD DESHAIES
ROADIE of the year
ADAM PIKE
SERVICE MANAGER
of the year
ASHLEY BALLI
TEXAS
ROADHOUSE®