
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 30, 2021

OR

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

For the transition period from to

Commission File Number 000-50972

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-1083890

(IRS Employer
Identification Number)

6040 Dutchmans Lane, Suite 200

Louisville, Kentucky 40205

(Address of principal executive offices) (Zip Code)

(502) 426-9984

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	TXRH	NASDAQ Global Select Market

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 Regulations 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 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 the 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 number of shares of common stock outstanding were 69,742,548 on April 28, 2021.

TABLE OF CONTENTS

[PART I. FINANCIAL INFORMATION](#)

Item 1 — Financial Statements (Unaudited) — Texas Roadhouse, Inc. and Subsidiaries	3
Condensed Consolidated Balance Sheets — March 30, 2021 and December 29, 2020	3
Condensed Consolidated Statements of Income and Comprehensive Income — For the 13 Weeks Ended March 30, 2021 and March 31, 2020	4
Condensed Consolidated Statement of Stockholders' Equity — For the 13 Weeks Ended March 30, 2021 and March 31, 2020	5
Condensed Consolidated Statements of Cash Flows — For the 13 Weeks Ended March 30, 2021 and March 31, 2020	6
Notes to Condensed Consolidated Financial Statements	7
Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3 — Quantitative and Qualitative Disclosures About Market Risk	28
Item 4 — Controls and Procedures	29

[PART II. OTHER INFORMATION](#)

Item 1 — Legal Proceedings	30
Item 1A — Risk Factors	30
Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3 — Defaults Upon Senior Securities	30
Item 4 — Mine Safety Disclosures	30
Item 5 — Other Information	30
Item 6 — Exhibits	31
Signatures	32

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS
Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	<u>March 30, 2021</u>	<u>December 29, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 495,646	\$ 363,155
Receivables, net of allowance for doubtful accounts of \$20 at March 30, 2021 and \$11 at December 29, 2020	37,742	98,418
Inventories, net	23,362	22,364
Prepaid income taxes	—	4,502
Prepaid expenses and other current assets	20,868	22,212
Total current assets	<u>577,618</u>	<u>510,651</u>
Property and equipment, net of accumulated depreciation of \$788,580 at March 30, 2021 and \$763,700 at December 29, 2020	1,093,790	1,088,623
Operating lease right-of-use assets, net	537,826	530,625
Goodwill	127,001	127,001
Intangible assets, net of accumulated amortization of \$14,541 at March 30, 2021 and \$14,341 at December 29, 2020	2,071	2,271
Other assets	68,422	65,990
Total assets	<u>\$ 2,406,728</u>	<u>\$ 2,325,161</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of operating lease liabilities	\$ 19,890	\$ 19,271
Current maturities of long-term debt	50,000	50,000
Accounts payable	86,131	66,977
Deferred revenue-gift cards	182,358	232,812
Accrued wages and payroll taxes	69,878	51,982
Income taxes payable	9,412	2,859
Accrued taxes and licenses	32,310	24,751
Other accrued liabilities	58,185	57,666
Total current liabilities	<u>508,164</u>	<u>506,318</u>
Operating lease liabilities, net of current portion	580,005	572,171
Long-term debt	190,000	190,000
Restricted stock and other deposits	7,516	7,481
Deferred tax liabilities, net	3,823	2,802
Other liabilities	107,202	103,338
Total liabilities	<u>1,396,710</u>	<u>1,382,110</u>
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, 69,742,520 and 69,561,861 shares issued and outstanding at March 30, 2021 and December 29, 2020, respectively)	70	70
Additional paid-in-capital	147,604	145,626
Retained earnings	846,065	781,915
Accumulated other comprehensive loss	(118)	(106)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	<u>993,621</u>	<u>927,505</u>
Noncontrolling interests	16,397	15,546
Total equity	<u>1,010,018</u>	<u>943,051</u>
Total liabilities and equity	<u>\$ 2,406,728</u>	<u>\$ 2,325,161</u>

See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Revenue:		
Restaurant and other sales	\$ 794,923	\$ 647,626
Franchise royalties and fees	5,706	4,898
Total revenue	800,629	652,524
Costs and expenses:		
Restaurant operating costs (excluding depreciation and amortization shown separately below):		
Food and beverage	251,482	210,180
Labor	258,036	241,079
Rent	14,452	13,471
Other operating	123,379	104,289
Pre-opening	4,268	5,112
Depreciation and amortization	30,869	29,054
Impairment and closure, net	504	595
General and administrative	36,712	32,954
Total costs and expenses	719,702	636,734
Income from operations	80,927	15,790
Interest expense, net	1,460	69
Equity loss from investments in unconsolidated affiliates	(217)	(508)
Income before taxes	\$ 79,250	\$ 15,213
Income tax expense (benefit)	12,820	(1,939)
Net income including noncontrolling interests	66,430	17,152
Less: Net income attributable to noncontrolling interests	2,280	1,123
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 64,150	\$ 16,029
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment, net of tax of \$4 and \$13, respectively	(12)	(37)
Total comprehensive income	\$ 64,138	\$ 15,992
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:		
Basic	\$ 0.92	\$ 0.23
Diluted	\$ 0.91	\$ 0.23
Weighted average shares outstanding:		
Basic	69,637	69,422
Diluted	70,137	69,852
Cash dividends declared per share	\$ —	\$ 0.36

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(in thousands, except share and per share data)
(unaudited)

For the 13 Weeks Ended March 30, 2021								
	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, 2020	69,561,861	\$ 70	\$ 145,626	\$ 781,915	\$ (106)	\$ 927,505	\$ 15,546	\$ 943,051
Net income	—	—	—	64,150	—	64,150	2,280	66,430
Other comprehensive loss, net of tax	—	—	—	—	(12)	(12)	—	(12)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(1,429)	(1,429)
Shares issued under share-based compensation plans including tax effects	269,918	—	—	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(89,259)	—	(7,930)	—	—	(7,930)	—	(7,930)
Share-based compensation	—	—	9,908	—	—	9,908	—	9,908
Balance, March 30, 2021	69,742,520	\$ 70	\$ 147,604	\$ 846,065	\$ (118)	\$ 993,621	\$ 16,397	\$ 1,010,018

For the 13 Weeks Ended March 31, 2020								
	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 31, 2019	69,400,252	\$ 69	\$ 140,501	\$ 775,649	\$ (225)	\$ 915,994	\$ 15,175	\$ 931,169
Net income	—	—	—	16,029	—	16,029	1,123	17,152
Other comprehensive loss, net of tax	—	—	—	—	(37)	(37)	—	(37)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(1,847)	(1,847)
Dividends declared (\$0.36 per share)	—	—	—	(24,989)	—	(24,989)	—	(24,989)
Shares issued under share-based compensation plans including tax effects	251,792	—	—	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(88,831)	—	(5,331)	—	—	(5,331)	—	(5,331)
Repurchase of shares of common stock	(252,409)	—	(12,621)	—	—	(12,621)	—	(12,621)
Share-based compensation	—	—	7,247	—	—	7,247	—	7,247
Balance, March 31, 2020	69,310,804	\$ 69	\$ 129,796	\$ 766,689	\$ (262)	\$ 896,292	\$ 14,451	\$ 910,743

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

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 66,430	\$ 17,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,869	29,054
Deferred income taxes	1,025	433
Loss on disposition of assets	324	1,446
Impairment and closure costs	494	624
Equity loss from investments in unconsolidated affiliates	217	508
Distributions of income received from investments in unconsolidated affiliates	122	184
Provision for doubtful accounts	9	60
Share-based compensation expense	9,908	7,247
Changes in operating working capital:		
Receivables	60,791	74,504
Inventories	(998)	(54)
Prepaid expenses and other current assets	874	(1,249)
Other assets	(2,786)	7,573
Accounts payable	19,937	(22,214)
Deferred revenue—gift cards	(50,454)	(56,997)
Accrued wages and payroll taxes	17,896	(14,087)
Prepaid income taxes and income taxes payable	11,055	(2,414)
Accrued taxes and licenses	7,559	(10,995)
Other accrued liabilities	(643)	(3,023)
Operating lease right-of-use assets and lease liabilities	1,520	1,365
Other liabilities	3,864	(7,401)
Net cash provided by operating activities	<u>178,013</u>	<u>21,716</u>
Cash flows from investing activities:		
Capital expenditures—property and equipment	(38,666)	(46,672)
Proceeds from sale leaseback transactions	2,192	2,167
Net cash used in investing activities	<u>(36,474)</u>	<u>(44,505)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	—	190,000
Distributions to noncontrolling interest holders	(1,429)	(1,847)
Proceeds from restricted stock and other deposits, net	311	304
Indirect repurchase of shares for minimum tax withholdings	(7,930)	(5,331)
Repurchase of shares of common stock	—	(12,621)
Dividends paid to shareholders	—	(24,989)
Net cash (used in) provided by financing activities	<u>(9,048)</u>	<u>145,516</u>
Net increase in cash and cash equivalents	132,491	122,727
Cash and cash equivalents—beginning of period	363,155	107,879
Cash and cash equivalents—end of period	<u>\$ 495,646</u>	<u>\$ 230,606</u>
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	\$ 1,195	\$ 186
Income taxes paid	\$ 740	\$ 51
Capital expenditures included in current liabilities	\$ 14,519	\$ 13,545

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(tabular amounts in thousands, except share and per share data)
(unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed 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 March 30, 2021 and December 29, 2020 and for the 13 weeks ended March 30, 2021 and March 31, 2020.

As of March 30, 2021, we owned and operated 540 restaurants and franchised an additional 97 restaurants in 49 states and ten foreign countries. Of the 540 company restaurants that were operating at March 30, 2021, 520 were wholly-owned and 20 were majority-owned. Of the 97 franchise restaurants, 69 were domestic restaurants and 28 were international restaurants. Included within these restaurant totals are four international franchise restaurants that have been temporarily closed due to the global COVID-19 pandemic (the "pandemic"). These stores continue to be included in the above totals as we believe they will re-open once it is considered safe to do so.

As of March 31, 2020, we owned and operated 519 restaurants and franchised an additional 98 restaurants in 49 states and ten foreign countries. Of the 519 company restaurants that were operating at March 31, 2020, 499 were wholly-owned and 20 were majority-owned. Of the 98 franchise restaurants, 70 were domestic restaurants and 28 were international restaurants. As of March 31, 2020, one company restaurant and 22 international restaurants were temporarily closed due to the pandemic.

As of March 30, 2021 and March 31, 2020, we owned a 5.0% to 10.0% equity interest in 24 domestic franchise restaurants. Additionally, as of March 30, 2021 and March 31, 2020, 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 unaudited condensed consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our unaudited condensed 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.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reporting of revenue and expenses during the periods to prepare these unaudited condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("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 breakage and third-party fees and income taxes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position, results of operations and cash flows for the periods presented. The unaudited condensed consolidated financial statements have been prepared in accordance with GAAP, except that certain information and footnotes have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission (the "SEC"). Operating results for the 13 weeks ended March 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 28, 2021. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 29, 2020.

Risks and Uncertainties

The Company continues to be subject to risks and uncertainties as a result of the pandemic. These include state and local restrictions on restaurants, some of which have limited capacity in the dining rooms while others have allowed To-Go or curbside service only. As of March 30, 2021, all of our domestic company and franchise locations had re-opened their dining rooms under various limited capacity restrictions. As of March 31, 2020, all of our domestic company and franchise locations were under state or local order which only allowed for To-Go or curbside service.

As a result of these capacity restrictions, we continue to utilize our hybrid operating model that accommodates our limited capacity dining rooms together with enhanced To-Go. We continue to see increased sales in our To-Go program, even with dining rooms re-opened, which has offset the decrease in dining room traffic due to the limited capacity restrictions. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, the extent to which our dining rooms will have to close again, or if the increased sales in our To-Go program will continue. The extent of this process will determine the significance of the impact to our financial condition, financial results, and liquidity in future periods. In addition, significant items subject to estimates and assumptions including the carrying amount of property and equipment, goodwill, and lease related assets could be impacted.

(2) Recent Accounting Pronouncements

Income Taxes

(Accounting Standards Update 2019-12, "ASU 2019-12")

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removed certain exceptions related to the approach for intraperiod tax allocations, the calculation of income taxes in interim periods, and the recognition of deferred taxes for investments. This guidance also simplified aspects of accounting for recognizing deferred taxes for taxable goodwill. The adoption of this standard did not have a significant impact on our condensed consolidated financial statements.

Reference Rate Reform

(Accounting Standards Update 2020-04, "ASU 2020-04")

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting. These changes are intended to simplify the market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This guidance is effective upon issuance to modifications made as early as the beginning of the interim period through December 31, 2022. We are currently assessing the impact of this new standard on our condensed consolidated financial statements.

(3) Long-term Debt

On August 7, 2017, we entered into an 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 revolving credit facility is an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million with the option to increase the revolving credit facility by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to \$82.5 million. This amount reduced the additional \$200.0 million that was available under the revolving credit facility. The maturity date for the incremental revolving credit facility is May 10, 2021. The maturity date for the original revolving credit facility remains August 5, 2022.

The terms of the amendment require us to pay interest on outstanding borrowings of the original revolving credit facility at LIBOR plus a margin of 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the

revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. Subsequent to our Q1 2021 fiscal quarter, we are required to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 2.25% and to pay a commitment fee of 0.125% to 0.40% depending on our consolidated net leverage ratio. As of March 30, 2021, we had \$190.0 million outstanding on the original revolving credit facility and \$1.8 million of availability, net of \$8.2 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our unaudited condensed consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of March 30, 2021, we had \$50.0 million outstanding and \$32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our unaudited condensed consolidated balance sheet.

The weighted-average interest rate for the \$240.0 million of combined borrowings on our revolving credit facility as of March 30, 2021 was 1.95%.

The lenders' obligation to extend credit pursuant to the revolving credit facility depends on us maintaining certain financial covenants. The amendment to the revolving credit facility also modified the financial covenants through the end of our Q1 2021 fiscal quarter. We were in compliance with all financial covenants as of March 30, 2021.

As further discussed in note 12, subsequent to the end of the quarter, we further amended the revolving credit facility. The amendment increased our borrowing capacity and extended the maturity date of the revolving credit facility.

(4) Revenue

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

	13 weeks ended	
	March 30, 2021	March 31, 2020
Restaurant and other sales	\$ 794,923	\$ 647,626
Franchise royalties	4,973	4,287
Franchise fees	733	611
Total revenue	<u>\$ 800,629</u>	<u>\$ 652,524</u>

We record deferred revenue for gift cards which includes cards that have been sold but not yet redeemed, a breakage adjustment for a percentage of gift cards that are not expected to be redeemed, and fees paid on gift cards sold through third-party retailers. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue. We amortize breakage and third-party fees consistent with the historic redemption pattern of the associated gift card or on actual redemptions in periods where redemptions do not align with historic redemption patterns. We recognize these amounts as a component of other sales. As of March 30, 2021 and December 29, 2020, our deferred revenue balance related to gift cards was \$182.4 million and \$232.8 million, respectively. We recognized sales of \$71.4 million for the 13 weeks ended March 30, 2021 related to the amount in deferred revenue as of December 29, 2020. We recognized sales of \$73.5 million for the 13 weeks ended March 31, 2020 related to the amount in deferred revenue as of December 31, 2019.

(5) Income Taxes

A reconciliation of the statutory federal income tax rate to our effective tax rate for the 13 weeks ended March 30, 2021 and March 31, 2020 is as follows:

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Tax at statutory federal rate	21.0 %	21.0 %
State and local tax, net of federal benefit	3.8	3.8
FICA tip tax credit	(7.3)	(33.1)
Work opportunity tax credit	(0.8)	(4.4)
Stock compensation	(1.6)	(0.8)
Net income attributable to noncontrolling interests	(0.2)	(1.2)
Officers compensation	0.8	0.3
Other	0.5	1.7
Total	16.2 %	(12.7)%

For the 13 weeks ended March 30, 2021, we recognized income tax expense using an estimated effective annual tax rate. This resulted in an effective tax rate of 16.2%. For the 13 weeks ended March 31, 2020, we recognized income tax expense using a discrete tax calculation as we were unable to reliably estimate our full year effective income tax rate. This was primarily due to the inability to estimate the increased impact on the FICA tip and Work opportunity tax credits on our effective tax rate as a result of the significant decrease in our pre-tax income. This resulted in an effective tax rate benefit of 12.7%. Additionally, the FICA tip and Work opportunity tax credits exceeded our federal tax liability for fiscal year 2020 but we expect to fully utilize these credits in our 2021 tax year.

(6) Commitments and Contingencies

The estimated cost of completing capital project commitments at March 30, 2021 and December 29, 2020 was \$120.1 million and \$95.9 million, respectively.

As of March 30, 2021 and December 29, 2020, we were contingently liable for \$12.8 million and \$13.0 million, respectively, for seven lease guarantees, 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 March 30, 2021 and December 29, 2020 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

[Table of Contents](#)

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2026
Fargo, North Dakota (1)	February 2006	July 2026
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (2)	December 2013	December 2024
Louisville, Kentucky (2)(3)	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) Leases associated with non-Texas Roadhouse 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.
- (3) We may be released from liability after the initial contractual lease term expiration contingent upon certain conditions being met by the acquirer.

During the 13 weeks ended March 30, 2021, we bought most of our beef from three suppliers. We have no material minimum purchase commitments with our vendors that extend beyond a year.

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 adverse effect on us during the periods covered by this report 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.

(7) Related Party Transactions

As of March 30, 2021 and March 31, 2020, we had two franchise restaurants and two majority-owned company restaurants owned in part by current officers of the Company. For both of the 13 weeks ended March 30, 2021 and March 31, 2020, these franchise entities paid us fees of \$0.2 million.

(8) 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 from our equity incentive plans, except during loss periods as the effect would be anti-dilutive. Performance stock units are not included in the diluted earnings per share calculation until the performance-based criteria have been met.

For the 13 weeks ended March 30, 2021 and March 31, 2020, there were 4,827 and 41,581 shares of nonvested stock, respectively, that were outstanding but not included in the computation of diluted earnings per share 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 unaudited condensed consolidated statements of income and comprehensive income:

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 64,150	\$ 16,029
Basic EPS:		
Weighted-average common shares outstanding	69,637	69,422
Basic EPS	\$ 0.92	\$ 0.23
Diluted EPS:		
Weighted-average common shares outstanding	69,637	69,422
Dilutive effect of nonvested stock	500	430
Shares-diluted	70,137	69,852
Diluted EPS	\$ 0.91	\$ 0.23

(9) Fair Value Measurements

Accounting Standards Codification ("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 13 weeks ended March 30, 2021.

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

	Fair Value Measurements		
	Level	March 30, 2021	December 29, 2020
Deferred compensation plan—assets	1	\$ 58,605	\$ 55,633
Deferred compensation plan—liabilities	1	\$ (58,528)	\$ (55,614)

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 amounts of the rabbi trust in other assets and the corresponding liability in other liabilities in our unaudited condensed 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 unaudited condensed consolidated statements of income and comprehensive income.

The following table presents the fair value of our assets measured on a nonrecurring basis:

	Level	Fair Value Measurements		Total loss 13 Weeks Ended	
		March 30, 2021	December 29, 2020	March 30, 2021	March 31, 2020
Long-lived assets held for sale	3	\$ 1,175	\$ 1,645	\$ (470)	\$ —
Goodwill	3	\$ —	\$ 2,625	\$ —	\$ —
Investments in unconsolidated affiliates	3	\$ 1,000	\$ 1,531	\$ (531)	\$ (528)

Long-lived assets held for sale include land and building at a site that was relocated. These assets are included in prepaid expenses and other current assets in our unaudited condensed consolidated balance sheets. These assets are valued using a Level 3 input, *i.e.*, information from broker listings discounted for estimated selling costs. This resulted in a loss of \$0.5 million which is included in impairment and closure, net in our unaudited condensed consolidated statements of income and comprehensive income for the 13 weeks ended March 30, 2021.

Goodwill includes two restaurants whose carrying values were determined to be in excess of their fair values as part of our most recent annual goodwill impairment assessment. In determining the fair value, multiple valuation approaches were utilized which considered the historical results and anticipated future trends of operations for these restaurants. We consider this a Level 3 input.

Investments in unconsolidated affiliates include a 40% equity interest in a China joint venture that was reduced to fair value. This asset is valued using a Level 3 input, *i.e.*, the amount we expect to receive upon the sale of this investment. This resulted in a loss of \$0.5 million which is included in equity loss from investments in unconsolidated affiliates in our unaudited condensed consolidated statements of income and comprehensive income for the 13 weeks ended March 30, 2021.

At March 30, 2021 and December 29, 2020, 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. At March 30, 2021 and December 29, 2020, the fair value of our revolving credit facility approximated its carrying value since it is a variable rate credit facility (Level 2).

(10) 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 various forms of equity awards including options, stock appreciation rights, full value awards, and performance based awards. The Company provides restricted stock units ("RSUs") to employees as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. In addition to RSUs, the Company provides performance stock units ("PSUs") to executives as a form of share-based compensation. 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. The following table summarizes the share-based compensation recorded in the accompanying unaudited condensed consolidated statements of income and comprehensive income:

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Labor expense	\$ 2,584	\$ 2,388
General and administrative expense	7,324	4,859
Total share-based compensation expense	\$ 9,908	\$ 7,247

We grant PSUs to certain of our executives which are generally 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 expense 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 13 weeks ended March 30, 2021 and March 31, 2020 was \$0.4 million and \$3.3 million, respectively.

On January 8, 2021, 5,199 shares vested related to the January 2020 PSU grant and were distributed during the 13 weeks ending March 30, 2021. With respect to unvested PSUs, we recognized expense of \$2.3 million during the 13 weeks ended March 30, 2021. At March 30, 2021, with respect to unvested PSUs, there was \$3.3 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.8 years.

(11) Stock Repurchase Program

On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases are 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.

For the 13 weeks ended March 30, 2021, we did not repurchase any shares of our common stock. For the 13 weeks ended March 31, 2020, we paid \$12.6 million to repurchase 252,409 shares of our common stock. On March 17, 2020, we suspended all share repurchase activity. As of March 30, 2021, we had \$147.8 million remaining under our authorized stock repurchase program.

(12) Subsequent Event

As discussed in note 3, we are party to a revolving credit facility under which we may borrow up to \$200.0 million with the option to increase by an additional \$200.0 million. On May 11, 2020, we amended the revolving credit facility to provide for an incremental credit facility of up to \$82.5 million. As of March 30, 2021 and December 29, 2020, we had \$190.0 million outstanding on the original credit facility and \$50.0 million outstanding on the incremental credit facility.

On May 4, 2021, we entered into an agreement to further amend our revolving credit facility with the same syndicate of commercial lenders. This amendment increased the amount we may borrow to \$300.0 million with the option to increase by an additional \$200.0 million and extended the maturity date to May 1, 2026. As part of the amendment, the \$190.0 million on the original credit facility remained outstanding and the \$50.0 million on the incremental credit facility was repaid.

The terms of the amendment require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 1.875% and pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the revolving credit facility, in each case depending on our leverage ratio. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT

This report contains forward-looking statements based on our current expectations, estimates and projections about our industry and certain assumptions made by us. These statements include, but are not limited to, statements related to the potential impact of the COVID-19/Coronavirus outbreak and other non-historical statements. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. The section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2020, and in Part II, Item 1A in this Form 10-Q, along with disclosures in our other Securities and Exchange Commission ("SEC") filings discuss some of the important risk factors that may affect our business, results of operations, or financial condition. You should carefully consider those risks, in addition to the other information in this report, and in our other filings with the SEC, before deciding to invest in our Company or to maintain or increase your investment. We undertake no obligation to revise or update publicly any forward-looking statements, except as may be required by applicable law. The information contained in this Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that discuss our business in greater detail and advise interested parties of certain risks, uncertainties and other factors that may affect our business, results of operations or financial condition.

COVID-19 Impact

The Company continues to be subject to risks and uncertainties as a result of the COVID-19 pandemic (the "pandemic"). These include state and local restrictions on restaurants, some of which have limited capacity in the dining rooms while others have allowed To-Go or curbside service only. As of March 30, 2021, all of our domestic company and franchise locations had re-opened their dining rooms under various limited capacity restrictions. As of March 31, 2020, all of our domestic company and franchise locations were under state or local order which only allowed for To-Go or curbside service.

As a result of these capacity restrictions, we continue to utilize our hybrid operating model that accommodates our limited capacity dining rooms together with enhanced To-Go. We continue to see increased sales in our To-Go program, even with dining rooms re-opened, which has offset the decrease in dining room traffic due to the limited capacity restrictions. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, the extent to which our dining rooms will have to close again, or if the increased sales in our To-Go program will continue.

As a result of the pandemic, legislation referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed in 2020 to benefit companies that were significantly impacted by the pandemic. This legislation allowed for the deferral of the social security portion of the employer portion of FICA payroll taxes from the date of enactment through the end of 2020. Amounts are required to be repaid in equal installments at the end of 2021 and 2022. As of December 29, 2020, the Company had deferred \$47.3 million in payroll taxes with the amount due in 2021 included in accrued wages and payroll taxes and the amount due in 2022 included in other liabilities in our unaudited condensed consolidated balance sheets.

The CARES Act also allowed for an Employee Retention Credit for companies severely impacted by the pandemic to encourage the retention of full-time employees. This refundable payroll tax credit was available for any company that had fully or partially suspended operations due to government order or experienced a significant decline in gross receipts

and had employees who were paid but did not actually work. The Company provided various forms of relief pay for hourly restaurant employees that qualified for this tax credit. In our Q1 2021 fiscal quarter, we recorded \$1.0 million related to this credit which is included in labor expense in our unaudited condensed consolidated statements of income and comprehensive income.

OVERVIEW

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our late founder, 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 637 restaurants in 49 states and ten foreign countries. As of March 30, 2021, our 637 restaurants included:

- 540 "company restaurants," of which 520 were wholly-owned and 20 were majority-owned. The results of operations of company restaurants are included in our unaudited condensed 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 unaudited condensed consolidated statements of income and comprehensive income. Of the 540 restaurants we owned as of March 30, 2021, we operated 505 as Texas Roadhouse restaurants, 32 as Bubba's 33 restaurants and three as Jaggers restaurants.
- 97 "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 loss from investments in unconsolidated affiliates" in our unaudited condensed consolidated statements of income and comprehensive income. Additionally, we provide various management services to these 24 franchise restaurants, as well as five additional franchise restaurants in which we have no ownership interest. All of the franchise restaurants are operated as Texas Roadhouse restaurants. Of the 97 franchise restaurants, 69 were domestic restaurants and 28 were international restaurants. As of March 30, 2021, four international restaurants were temporarily closed due to the pandemic but continue to be included in the above total.

We have contractual arrangements that grant us the right to acquire at pre-determined formulas the remaining equity interests in 18 of the 20 majority-owned company restaurants and 65 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

Throughout this report, the 13 weeks ended March 30, 2021 and March 31, 2020 are referred to as Q1 2021 and Q1 2020, respectively.

Long-Term Strategies to Grow Earnings Per Share and Create Shareholder Value

While our short-term strategies have changed due to the temporary change in our business model due to the pandemic, our long-term strategies remain unchanged. 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 continue to evaluate opportunities to develop restaurants in existing markets and in new domestic and international markets. Domestically, we 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 Texas Roadhouse locations at or near the end of the associated lease or as a result of eminent domain which allows us to move to a better site, update them to a current prototypical design, and/or obtain more favorable lease terms. We continue to evaluate these opportunities particularly as it relates to older locations with strong sales. In addition, at our high volume restaurants, we continue to look for opportunities to increase our dining room capacity by adding on to our existing

building and/or to increase our parking capacity by leasing or purchasing property that adjoins our site. 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 Q1 2021, three company restaurants, including one Bubba's 33, were opened. We currently plan to open 25 to 30 company restaurants across all concepts in 2021. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could pull back on development and reduce capital expenditures accordingly. We currently expect our franchise partners will open as many as six Texas Roadhouse restaurants, primarily international, in 2021.

Our average capital investment for the 18 Texas Roadhouse restaurants opened during 2020, including pre-opening expenses and a capitalized rent factor, was \$6.2 million. We expect our average capital investment for Texas Roadhouse restaurants opening in 2021 to be approximately \$5.5 million. Our average capital investment for the three Bubba's 33 restaurants opened during 2020, including pre-opening expenses and a capitalized rent factor, was \$7.3 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2021 to be approximately \$6.9 million. The decrease in investment costs for both concepts is primarily due to higher building and site work costs in 2020 related to construction delays from the pandemic.

We remain focused on driving sales and managing restaurant investment costs 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, geographical location, type of construction labor, local permitting requirements, hook-up fees, our ability to negotiate with landlords, and cost of liquor and other licenses.

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in numerous foreign countries and one U.S. territory. We currently have signed franchise and/or development agreements in nine countries in the Middle East as well as Taiwan, the Philippines, Mexico, China, South Korea, Brazil and Puerto Rico. As of March 30, 2021, we had 15 restaurants in five countries in the Middle East, four restaurants open in Taiwan, five in the Philippines, two in South Korea and one each in Mexico and China for a total of 28 restaurants in ten foreign countries. Due to the pandemic, four of our international restaurants were temporarily closed as of March 30, 2021. 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 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-level profitability (restaurant margin), in any given year, depending on the level of inflation we experience. Restaurant margin is not a U.S. generally accepted accounting principle ("GAAP") measure and should not be considered in isolation, or as an alternative to income from operations. See further discussion of restaurant margin below. 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 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. In addition, with the increase in To-Go sales in prior years and the significant increase during the pandemic, we are currently testing changes to our building layout to help better accommodate higher To-Go volumes at our restaurants.

In addition, we continue to look for ways through various strategic initiatives to drive awareness of our brands and increase sales and profitability. At the onset of the pandemic, we began selling ready-to-grill steaks for customers to prepare at home. While we reduced our store-level offerings around ready-to-grill once our dining rooms began to re-

open in mid-2020, based on the success of this program we have developed Texas Roadhouse Butcher Shop. This on-line platform allows for the purchase and delivery of the same hand-trimmed quality steaks that are available in our restaurants. This platform launched in Q4 2020.

We also further expanded our retail business in 2021 with the introduction of our Margarita Mixer, which was available in Q1 2021, and our canned Margarita Seltzer, available in several flavors, which will be available beginning in Q2 2021. These Texas Roadhouse-branded products are subject to license agreements for which we will receive royalties.

Leveraging Our Scalable Infrastructure. To support our growth, we have made investments in our infrastructure over the past several years, including information and accounting systems, real estate, human resources, legal, marketing, international and restaurant operations, including the development of new concepts. Whether we are able to leverage our infrastructure in future years by growing our general and administrative costs at a slower rate than our revenue 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 evaluate opportunities to return capital to our shareholders including the payment of dividends and repurchase of common stock. In 2011, our Board of Directors declared our first quarterly dividend of \$0.08 per share of common stock which we consistently grew over time. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends on the Company's common stock, effective with respect to dividends occurring after the quarterly cash dividend of \$0.36 paid on March 27, 2020. This was done to preserve cash flow due to the pandemic. On April 28, 2021, our Board of Directors reinstated the payment of a quarterly cash dividend of \$0.40 per share of common stock. This payment will be distributed on June 4, 2021 to shareholders of record at the close of business on May 19, 2021. 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 many factors, including, but not limited to, earnings, financial condition, applicable covenants under our revolving credit facility, other contractual restrictions and other factors deemed relevant. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could suspend the payment of cash dividends.

In 2008, our Board of Directors approved our first stock repurchase program. From inception through March 30, 2021, we have paid \$369.0 million through our authorized stock repurchase programs to repurchase 17,722,505 shares of our common stock at an average price per share of \$20.82. On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date have been made through open market transactions. The Company suspended all share repurchase activity on March 17, 2020 in order to preserve cash flow due to the pandemic. As of March 30, 2021, \$147.8 million remains authorized for stock repurchases. We are currently evaluating when we will resume the repurchase of shares.

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 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. Comparable restaurant sales reflects the change in restaurant sales for company restaurants over the same period in prior years 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 permanently closed during the period. Comparable restaurant sales can be impacted by changes in guest

traffic counts or by changes in the per person average check amount. Menu price changes, the mix of menu items sold, and the mix of dine-in versus To-Go sales can affect the per person average check amount.

Average Unit Volume. Average unit volume represents the average quarterly or annual restaurant sales for Texas Roadhouse restaurants open for a full six months before the beginning of the period measured excluding restaurants permanently 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. Store weeks include weeks in which a restaurant is temporarily closed.

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 food and beverage costs, 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 unaudited condensed consolidated statements of income and comprehensive income. Other sales include the amortization of fees associated with our third-party gift card sales net of the amortization of gift card breakage income. These amounts are amortized consistent with the historic redemption pattern of the associated gift card or on actual redemptions in periods where redemptions do not align with historic redemption patterns. Other sales also include sales related to our non-royalty-based retail products.

Franchise Royalties and Fees. Franchise royalties consist of royalties, as defined in our franchise agreement, paid to us by our domestic and international franchisees. Franchise royalties also include sales related to our royalty-based retail products. 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. Franchise fees also 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.

Food and Beverage Costs. Food and beverage costs consists of the costs of raw materials and ingredients used in the preparation of food and beverage products sold in our company restaurants. Approximately half of our food and beverage costs 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, dining room and To-Go 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 or relocated 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. 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 many 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, Net. Impairment and closure costs, net include any impairment of long-lived assets, including property and equipment, operating lease right-of-use assets and 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 certain 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. Interest expense, net includes interest expense on our debt or financing obligations including the amortization of loan fees reduced by earnings on cash and cash equivalents.

Equity Loss from Unconsolidated Affiliates. Equity loss includes our percentage share of net income earned by unconsolidated affiliates. As of March 30, 2021 and March 31, 2020, we owned a 5.0% to 10.0% equity interest in 24 domestic franchise restaurants. Additionally, as of March 30, 2021 and March 31, 2020, 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.

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 include 20 majority-owned restaurants for all periods presented.

Q1 2021 Financial Highlights

Total revenue increased \$148.1 million to \$800.6 million in Q1 2021 compared to \$652.5 million in Q1 2020 primarily due to an increase in average unit volumes driven by an increase in comparable restaurant sales combined with the opening of new restaurants. Store weeks and comparable restaurant sales increased 4.1% and 18.5%, respectively, at

company restaurants in Q1 2021. The increase in average unit volume was primarily due to the re-opening of dining rooms, all of which had re-opened by the end of Q1 2021, the continued easing of dining room capacity restrictions, and strong To-Go sales.

Restaurant margin dollars increased \$69.0 million to \$147.6 million in Q1 2021 compared to \$78.6 million in Q1 2020. Restaurant margin, as a percentage of restaurant and other sales, increased to 18.6% in Q1 2021 compared to 12.1% in Q1 2020. The increase in restaurant margin was due to higher sales and the prior year impact of the pandemic, which began to significantly impact our operations in March 2020.

Net income increased \$48.1 million to \$64.2 million in Q1 2021 compared to \$16.0 million in Q1 2020 primarily due to higher restaurant margin dollars partially offset by higher income tax expense. Diluted earnings per share increased to \$0.91 in Q1 2021 from \$0.23 in Q1 2020.

Results of Operations

	13 Weeks Ended			
	March 30, 2021		March 31, 2020	
	\$	%	\$	%
(In thousands)				
Consolidated Statements of Income:				
Revenue:				
Restaurant and other sales	794,923	99.3	647,626	99.2
Franchise royalties and fees	5,706	0.7	4,898	0.8
Total revenue	800,629	100.0	652,524	100.0
Costs and expenses:				
<i>(As a percentage of restaurant and other sales)</i>				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Food and beverage	251,482	31.6	210,180	32.5
Labor	258,036	32.5	241,079	37.2
Rent	14,452	1.8	13,471	2.1
Other operating	123,379	15.5	104,289	16.1
<i>(As a percentage of total revenue)</i>				
Pre-opening	4,268	0.5	5,112	0.8
Depreciation and amortization	30,869	3.9	29,054	4.5
Impairment and closure, net	504	NM	595	NM
General and administrative	36,712	4.6	32,954	5.1
Total costs and expenses	719,702	89.9	636,734	97.6
Income from operations	80,927	10.1	15,790	2.4
Interest expense, net	1,460	0.2	69	0.0
Equity loss from investments in unconsolidated affiliates	(217)	NM	(508)	NM
Income before taxes	79,250	9.9	15,213	2.3
Income tax expense (benefit)	12,820	1.6	(1,939)	(0.3)
Net income including noncontrolling interests	66,430	8.3	17,152	2.6
Net income attributable to noncontrolling interests	2,280	0.3	1,123	0.2
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	64,150	8.0	16,029	2.5

NM — Not meaningful

Reconciliation of Income from Operations to Restaurant Margin
(in thousands)
13 Weeks Ended

	March 30, 2021	March 31, 2020
Income from operations	\$ 80,927	\$ 15,790
Less:		
Franchise royalties and fees	5,706	4,898
Add:		
Pre-opening	4,268	5,112
Depreciation and amortization	30,869	29,054
Impairment and closure, net	504	595
General and administrative	36,712	32,954
Restaurant margin	<u>\$ 147,574</u>	<u>\$ 78,607</u>
Restaurant margin \$/store week	\$ 21,097	\$ 11,695
Restaurant margin (as a percentage of restaurant and other sales)	18.6%	12.1%

See above for the definition of restaurant margin.

Restaurant Unit Activity

	Total	Texas Roadhouse	Bubba's 33	Jaggers
Balance at December 29, 2020	634	600	31	3
Company openings	3	2	1	—
Company closings	—	—	—	—
Franchise openings - Domestic	—	—	—	—
Franchise openings - International	—	—	—	—
Franchise closings - International	—	—	—	—
Balance at March 30, 2021	<u>637</u>	<u>602</u>	<u>32</u>	<u>3</u>

	March 30, 2021	March 31, 2020
Company - Texas Roadhouse	505	488
Company - Bubba's 33	32	29
Company - Jaggers	3	2
Franchise - Texas Roadhouse - U.S.	69	70
Franchise - Texas Roadhouse - International(1)	28	28
Total	<u>637</u>	<u>617</u>

(1) Includes four international franchise locations that were temporarily closed.

Q1 2021 (13 weeks) compared to Q1 2020 (13 weeks)

Restaurant and Other Sales. Restaurant and other sales increased by 22.7% in Q1 2021 as compared to Q1 2020. The following table summarizes certain key drivers and/or attributes of restaurant and other sales at company restaurants for the periods presented. Company restaurant count activity is shown in the restaurant unit activity table above.

	Q1 2021	Q1 2020
Company Restaurants:		
Increase in store weeks	4.1 %	5.3 %
Increase (decrease) in average unit volume	17.5 %	(8.5)%
Other(1)	1.0 %	(2.1)%
Total increase (decrease) in restaurant sales	22.6 %	(5.3)%
Other sales(2)	0.1 %	(0.2)%
Total increase (decrease) in restaurant and other sales	22.7 %	(5.5)%
Store weeks	6,995	6,721
Comparable restaurant sales	18.5 %	(8.4)%
Texas Roadhouse restaurants only:		
Comparable restaurant sales	18.3 %	(8.2)%
Average unit volume (in thousands)	\$ 1,509	\$ 1,284
Weekly sales by group:		
Comparable restaurants (473 and 452 units, respectively)	\$ 116,816	\$ 98,979
Average unit volume restaurants (18 and 20 units, respectively)(3)	\$ 96,780	\$ 91,373
Restaurants less than six months old (14 and 16 units, respectively)	\$ 117,833	\$ 97,353

- (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 permanently closed or acquired during the period.
- (2) Other sales, for Q1 2021, primarily represented \$7.7 million related to the amortization of third-party gift card fees net of \$3.6 million related to the amortization of gift card breakage income. For Q1 2020, other sales primarily represented \$7.8 million related to the amortization of third-party gift card fees net of \$3.7 million related to the amortization of gift card breakage income.
- (3) Average unit volume restaurants include restaurants open a full six and up to 18 months before the beginning of the period measured, excluding sales from restaurants permanently closed during the period.

The increase in restaurant sales for Q1 2021 is primarily attributable to an increase in average unit volumes, driven by an increase in comparable restaurant sales, along with an increase in store weeks. The increase in comparable restaurant sales was primarily driven by the re-opening of our dining rooms, the continued easing of dining room capacity restrictions, and strong To-Go sales. Comparable restaurant sales increased 18.5%, which included guest traffic count growth of 13.0% and per person average check growth of 5.5%.

As of March 30, 2021, all of our company restaurants had re-opened their dining rooms. While all of our dining rooms have re-opened, they continue to operate under limited capacity restrictions. For our January, February and March periods, comparable restaurant sales decreased 0.3%, decreased 3.5% and increased 64.1%, respectively. In addition, To-Go sales as a percentage of restaurant sales were 22.3% and 12.8% for Q1 2021 and Q1 2020, respectively.

In addition, in late October 2020, we implemented a menu price increase of approximately 1.0% which was the only increase taken for 2020. In late April 2021, we implemented a menu price increase of approximately 1.75%. We may take additional pricing in 2021 if needed.

[Table of Contents](#)

In Q1 2021, we opened three company restaurants, including one Bubba's 33 restaurant. As of March 30, 2021, an additional 15 restaurants were under construction. We currently plan to open 25 to 30 company restaurants across all concepts in 2021. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could pull back on development and reduce capital expenditures accordingly.

Franchise Royalties and Fees. Franchise royalties and fees increased by \$0.8 million, or by 16.5%, in Q1 2021 from Q1 2020. The increase was due to higher average unit volume, driven by comparable restaurant increases at domestic stores. Comparable restaurant sales at domestic franchise stores increased 15.2% for Q1 2021.

We anticipate that our existing franchise partners will open as many as six Texas Roadhouse restaurants, primarily international, in 2021.

Food and Beverage Costs. Food and beverage costs, as a percentage of restaurant and other sales, decreased to 31.6% in Q1 2021 from 32.5% in Q1 2020. The decrease was primarily due to the benefit of a higher guest check amount partially offset by commodity inflation of 1.8%.

For 2021, we currently expect commodity cost inflation to be approximately 4.0% with fixed price contracts for approximately 50% of our overall food costs and the remainder subject to floating market prices.

Restaurant Labor Expenses. Restaurant labor expenses, as a percentage of restaurant and other sales, decreased to 32.5% in Q1 2021 compared to 37.2% in Q1 2020. The decrease was primarily due to an increase in average unit volume as well as lapping several items related to Q1 2020 including labor inefficiencies as we converted to our hybrid operating model, relief payments and increased benefits provided to our hourly employees, and higher health insurance costs. In Q1 2021, the benefit of a higher guest check amount and employee retention payroll tax credits of \$1.0 million also contributed to the decrease. These decreases were partially offset by higher wage rates primarily due to labor market pressures along with increases in state-mandated minimum and tipped wage rates.

In Q1 2021, we incurred costs of \$1.5 million for relief pay and enhanced benefits to our hourly employees compared to \$10.7 million in Q1 2020 at the onset of the pandemic.

Health insurance costs were lower in Q1 2021 compared to Q1 2020 primarily due to a \$2.3 million increase in claim costs in Q1 2020. The increase in claims costs was primarily driven by unfavorable claims experience.

Restaurant Rent Expense. Restaurant rent expense, as a percentage of restaurant and other sales, decreased to 1.8% in Q1 2021 compared to 2.1% in Q1 2020. The decrease was due to the increase in average unit volume partially offset by higher rent expense, as a percentage of restaurant and other sales, at our newer restaurants.

Restaurant Other Operating Expenses. Restaurant other operating expenses, as a percentage of restaurant and other sales, decreased to 15.5% in Q1 2021 compared to 16.1% in Q1 2020. This decrease was due to an increase in average unit volume partially offset by an increase in supplies and incentive compensation expense. Higher supplies expense was due to an increase in To-Go supplies, increased cost and usage of personal protective equipment and other costs to support our hybrid operating model. Higher incentive compensation expense was primarily due to higher restaurant profitability. In addition, due to the significant increase in our average unit volumes, expenses that are largely fixed, including utilities, property taxes, and other outside services decreased as a percentage of restaurant and other sales.

Restaurant Pre-opening Expenses. Pre-opening expenses decreased to \$4.3 million in Q1 2021 from \$5.1 million in Q1 2020. This decrease was primarily due to the timing of restaurant openings as average pre-opening expenses incurred for each restaurant remained relatively unchanged. Pre-opening costs will fluctuate from quarter to quarter 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 Expense. D&A, as a percentage of total revenue, decreased to 3.9% in Q1 2021 compared to 4.5% in Q1 2020. The decrease was primarily due to an increase in average unit volume partially offset by higher depreciation at new restaurants.

Impairment and Closure Costs, Net. Impairment and closure costs, net was \$0.5 million in Q1 2021 compared to \$0.6 million in Q1 2020. For Q1 2021, impairment and closure costs, net included the impairment of land and building at a site that was relocated and are currently classified as assets held for sale. For Q1 2020, impairment and closure costs, net included the impairment of the operating lease right-of-use assets for an underperforming restaurant and a restaurant that was relocated.

General and Administrative Expenses. G&A, as a percentage of total revenue, decreased to 4.6% in Q1 2021 compared to 5.1% in Q1 2020. The decrease was primarily driven by an increase in average unit volume and lower travel and meeting expenses partially offset by higher incentive and performance-based compensation costs and legal settlement expenses. Travel and meeting expenses were lower due to fewer in-person meetings as a result of the pandemic. Higher incentive and performance-based compensation costs were due to the increase in profitability.

Interest Expense, Net. Interest expense, net was \$1.5 million in Q1 2021 compared to \$0.1 million in Q1 2020. The increase in interest expense, net was primarily driven by additional borrowings on our credit facility along with reduced earnings on our cash and cash equivalents.

Equity loss from Unconsolidated Affiliates. Equity loss was \$0.2 million in Q1 2021 compared to \$0.5 million in Q1 2020 due to increased profitability from our unconsolidated affiliates. This equity income was more than offset by an impairment charge related to our investment in a foreign joint venture that was recorded in both Q1 2021 and Q1 2020.

Income Tax Expense (Benefit). Our effective tax rate increased to 16.2% in Q1 2021 compared to an effective tax rate benefit of 12.7% in Q1 2020 primarily due to the significant increase in pre-tax income. In Q1 2020, our FICA tip and Work opportunity tax credits exceeded our federal tax liability which resulted in a tax rate benefit.

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):

	13 Weeks Ended	
	March 30, 2021	March 31, 2020
Net cash provided by operating activities	\$ 178,013	\$ 21,716
Net cash used in investing activities	(36,474)	(44,505)
Net cash (used in) provided by financing activities	(9,048)	145,516
Net increase in cash and cash equivalents	\$ 132,491	\$ 122,727

Net cash provided by operating activities was \$178.0 million in Q1 2021 compared to \$21.7 million in Q1 2020. This increase was primarily due to favorable changes in working capital and an increase in net income. Working capital changes include increases in accounts payable, accrued wages and payroll taxes, accrued taxes and licenses and income taxes payable.

Our operations have not required significant working capital and, like many restaurant companies, we have been able to 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 \$36.5 million in Q1 2021 compared to \$44.5 million in Q1 2020. The decrease was due to a decrease in capital expenditures, primarily driven by fewer stores being relocated.

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. In addition, as of March 30, 2021, we had developed 148 of the 540 company restaurants on land in which we own.

[Table of Contents](#)

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

	Q1 2021	Q1 2020
New company restaurants	\$ 22,975	\$ 19,124
Refurbishment of existing restaurants	13,742	12,902
Relocation of existing restaurants	705	11,188
Capital expenditures related to Support Center office	1,244	3,458
Total capital expenditures	<u>\$ 38,666</u>	<u>\$ 46,672</u>

In 2021, we expect our capital expenditures to be \$210.0 million to \$220.0 million and we currently plan to open 25 to 30 restaurants across all concepts. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could pull back on development and reduce capital spend accordingly. As of March 30, 2021, the estimated cost of completing capital project commitments over the next 12 months was approximately \$120.1 million. See note 6 to the unaudited condensed consolidated financial statements for a discussion of contractual obligations.

Net cash used in financing activities was \$9.0 million in Q1 2021 compared to net cash provided by financing activities of \$145.5 million in Q1 2020. The decrease is primarily due to borrowings under our revolving credit facility in Q1 2020 offset by share repurchases and dividends paid in Q1 2020.

In March 2020 we increased our borrowings as a precautionary measure in order to bolster our cash position and enhance financial flexibility in response to the pandemic.

On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. On March 17, 2020, we suspended all share repurchase activity. As of March 30, 2021, \$147.8 million remains authorized for stock repurchases. We are currently evaluating when we will resume the repurchase of shares.

On February 20, 2020, our Board of Directors authorized the payment of a cash dividend of \$0.36 per share of common stock. The payment of this dividend totaling \$25.0 million was distributed on March 27, 2020 to shareholders of record at the close of business on March 11, 2020. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends of the Company's common stock, effective with respect to dividends occurring after March 27, 2020. On April 28, 2021, our Board of Directors reinstated the payment of a quarterly cash dividend of \$0.40 per share of common stock. This payment will be distributed on June 4, 2021 to shareholders of record at the close of business on May 19, 2021. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could suspend the payment of cash dividends.

We paid distributions of \$1.4 million to equity holders of 16 of our 20 majority-owned company restaurants in Q1 2021. We paid distributions of \$1.8 million to equity holders of all 20 majority-owned company restaurants in Q1 2020.

On August 7, 2017, we entered into an 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 revolving credit facility is an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million with the option to increase the revolving credit facility by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to \$82.5 million. This amount reduced the additional \$200.0 million that was available under the revolving credit facility. The maturity date for the incremental revolving credit facility was May 10, 2021. The maturity date for the original revolving credit facility remained August 5, 2022.

The terms of the amendment require us to pay interest on outstanding borrowings of the original revolving credit facility at LIBOR plus a margin of 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. As of March 30, 2021, we had \$190.0 million outstanding on the original revolving credit facility and \$1.8 million of availability, net of \$8.2 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our unaudited condensed consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of March 30, 2021, we had \$50.0 million outstanding and \$32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our unaudited condensed consolidated balance sheet.

The weighted-average interest rate for the revolving credit facility as of March 30, 2021 was 1.95%.

The lenders' obligation to extend credit pursuant to the revolving credit facility depends on us maintaining certain financial covenants. The amendment to the revolving credit facility also modified the financial covenants through the end of our Q1 2021 fiscal quarter. We were in compliance with all financial covenants as of March 30, 2021.

On May 4, 2021, we entered into an agreement to further amend our revolving credit facility with the same syndicate of commercial lenders. This amendment increased the amount we may borrow to \$300.0 million with the option to increase by an additional \$200.0 million and extended the maturity date to May 1, 2026. As part of the amendment, the \$190.0 million on the original credit facility remained outstanding and the \$50.0 million on the incremental credit facility was repaid.

The terms of the amendment require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 1.875% and pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the revolving credit facility, in each case depending on our leverage ratio. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR.

Guarantees

As of March 30, 2021 and December 29, 2020, we are contingently liable for \$12.8 million and \$13.0 million, respectively, for seven lease guarantees, 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 March 30, 2021 and December 29, 2020 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)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2026
Fargo, North Dakota (1)	February 2006	July 2026
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (2)	December 2013	December 2024
Louisville, Kentucky (2)(3)	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) Leases associated with non-Texas Roadhouse 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.
- (3) We may be released from liability after the initial contractual lease term expiration contingent upon certain conditions being met by the acquirer.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on variable rate debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to \$82.5 million and to modify the financial covenants through the end of our Q1 2021 fiscal quarter. 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 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. Subsequent to our Q1 2021 fiscal quarter, we are required to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 2.25% and to pay a commitment fee of 0.125% to 0.40% depending on our consolidated net leverage ratio. As of March 30, 2021, we had \$190.0 million outstanding on our amended credit agreement. This outstanding amount is included as long-term debt on our unaudited condensed consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of March 30, 2021, we had \$50.0 million outstanding and \$32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our unaudited condensed consolidated balance sheet.

The weighted-average interest rate for the \$240.0 million of combined borrowings on our revolving credit facility as of March 30, 2021 was 1.95%. Should interest rates based on these variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by \$2.4 million.

On May 4, 2021, we entered into the Amended and Restated Credit Agreement (the "Amended Credit Agreement") with respect to our revolving credit facility. The Amended Credit Agreement increased the amount we may borrow to \$300.0 million with the option to increase by an additional \$200.0 million and extended the maturity date to May 1, 2026. As part of the Amended Credit Agreement, the \$190.0 million on the original credit facility remained outstanding and the \$50.0 million on the incremental credit facility was repaid.

The terms of the Amended Credit Agreement require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 1.875% and pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the revolving credit facility, in each case depending on our leverage ratio. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR.

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. To date, the pandemic has not had a significant impact on our ability to source product from our suppliers. If these vendors are unable to fulfill their obligations under their contracts, we may encounter supply shortages and/or higher costs to secure adequate supplies and a possible loss of sales, any of which would harm our business.

ITEM 4. 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 March 30, 2021.

Changes in Internal Control

There were no significant changes in the Company's internal control over financial reporting that occurred during the period covered by this report that materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. 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 adverse effect on us during the periods covered by this report 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 1A. RISK FACTORS

Information regarding risk factors appears in our Annual Report on Form 10-K for the year ended December 29, 2020, under the heading "Special Note Regarding Forward-looking Statements" and in the Form 10-K Part I, Item 1A, Risk Factors. There have been no material changes from the risk factors previously disclosed in our Form 10-K for the year ended December 29, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 31, 2019, our Board of Directors approved a stock repurchase program which authorized us to repurchase up to \$250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. The previous program authorized us to repurchase up to \$100.0 million of our common stock and did not have an expiration date. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases through this program 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. For the 13 weeks ended March 30, 2021, we did not repurchase any shares of common stock. On March 17, 2020, we suspended all share repurchase activity in order to enhance our financial flexibility as a result of the pandemic. As of March 30, 2021, \$147.8 million remains authorized for stock repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Employment Agreement between Texas Roadhouse Management Corp. and W. Kent Taylor entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.2	Employment Agreement between Texas Roadhouse Management Corp. and Doug Thompson entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.3	Employment Agreement between Texas Roadhouse Management Corp. and S. Chris Jacobsen entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.4	Employment Agreement between Texas Roadhouse Management Corp. and Tonya Robinson entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.5	First Amendment to Employment Agreement between Texas Roadhouse Management Corp. and Gerald L. Morgan dated March 31, 2021 and having a retroactive effective date of March 18, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated April 2, 2021 (File No. 000-50972))
10.6	Employment Agreement between Texas Roadhouse Management Corp. and Christopher C. Colson entered into as of March 31, 2021
10.7	Second Amendment to Amended and Restated Credit Agreement dated as of May 4, 2021 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 May 4, 2021 (File No. 000-50972))
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal 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 Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS ROADHOUSE, INC.

Date: May 7, 2021

By: /s/ GERALD L. MORGAN
Gerald L. Morgan
Chief Executive Officer and President (principal executive officer)

Date: May 7, 2021

By: /s/ TONYA R. ROBINSON
Tonya R. Robinson
Chief Financial Officer
(principal financial officer)
(principal accounting officer)

EMPLOYMENT AGREEMENT
(Christopher C. Colson)

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into this 31st day of March, 2021 by and between CHRISTOPHER C. COLSON, whose address is 7107 Windham Parkway, Prospect, Kentucky 40059 (“Executive”), and TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation having its principal office at 6040 Dutchmans Lane, Louisville, Kentucky 40205 (the “Company”).

WITNESSETH:

WHEREAS, the Company desires, on the terms and conditions stated herein, to employ Executive as General Counsel and Corporate Secretary pursuant to a written employment agreement; and

WHEREAS, Executive desires, on the terms and conditions stated herein, to be employed by the Company pursuant to a written employment agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, and of the promises, covenants, terms, and conditions contained herein, the parties hereto, intending to be legally bound, agree as follows:

AGREEMENT

1. **Employment.**

(a) The Company hereby agrees to employ Executive as General Counsel and Corporate Secretary, and Executive hereby accepts such employment with the Company, subject to the terms and conditions set forth in this Agreement.

(b) Executive affirms and represents that Executive is under no obligation, including non-competition and/or non-solicitation agreements, to any former employer or other party that restricts or is in any way inconsistent with Executive’s acceptance of employment and Executive’s subsequent employment with the Company, or is inconsistent with the promises Executive is making in this Agreement.

2. **Term of Employment.** Unless earlier terminated as hereinafter provided, the initial employment term shall be for a period beginning on March 31, 2021 (the “Employment Date”) and ending on January 7, 2024 (such period referred to as the “Initial Term”). Unless (i) either party gives written notice at least sixty (60) days before expiration of the Initial Term or any Additional Term that they wish to either cease the terms of this Agreement being applicable to Executive’s continued employment and such employment will then continue “at will” (*i.e.*, be terminable by either Executive or the Company at any time and for any reason, with or without cause), and subject to such terms and conditions established by the Company from time to time, or (ii) Executive’s employment is earlier terminated as hereinafter provided, the term of Executive’s employment under this Agreement will be automatically extended after the Initial Term, under the terms contained herein, on a year-to-year basis (such one-year periods referred to as “Additional Terms”). For purposes of this Agreement, the term “Employment Term” shall mean the Initial Term plus all Additional Terms.

3. **Duties.** While Executive is employed by the Company during the Employment Term, Executive shall be employed as the General Counsel and Corporate Secretary of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as

the Company shall assign to Executive from time to time, including duties and responsibilities relating to the Company or Affiliates (as hereinafter defined) and certain officer positions of Affiliates as and if determined by the Company. Executive shall report to the Chief Executive Officer of Texas Roadhouse, Inc. or to such other person as designated by the Chief Executive Officer of Texas Roadhouse, Inc. and/or the Board of Directors of Texas Roadhouse, Inc. (the "Board") (as the same may change from time to time). Executive will faithfully and to the best of Executive's ability perform Executive's employment duties at such places and times as the Company may reasonably prescribe. Except when approved in advance by the Company, and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, Executive will devote Executive's full-time attention throughout Executive's Employment Term to Executive's services as General Counsel and Corporate Secretary. Executive will render services exclusively to the Company during the Employment Term, except that Executive may engage in other material business activity if such service is approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and Executive may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of Executive's duties and responsibilities under this Agreement. Executive will always act in a manner that is in the best interests of the Company, and will use Executive's best efforts, skill and ability to promote the profitable growth of the Company.

4. **Compensation.**

(a) **Salary.** As compensation for Executive's services under this Agreement, the Company will pay Executive a base salary at the annual rate set forth on Schedule 1 per fiscal year, or such higher amount as may be determined by the Compensation Committee of the Board on an annual basis thereafter ("**Base Salary**"). Once increased, Base Salary may not be decreased during the Employment Term except for decreases that are applied generally to other executives of the Company, in an amount no greater than ten percent (10%). Such Base Salary will be paid in installments at regular intervals in accordance with the Company's payroll practices and procedures.

(b) **Incentive Bonus.** For each full fiscal year during the Employment Term, Executive shall be eligible for an incentive bonus, to be paid no less frequently than annually if and to the extent Executive remains employed on its date of payment, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "**Incentive Bonus**").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2¹/₂ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive bonus of at least the amount set forth on Schedule 1, or such higher amount as may be established by the Compensation Committee of the Board from time to time.

(c) **Equity Incentive Plan.** Executive will be eligible to participate in the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan or any successor plan thereto at a level and with such awards as the Compensation Committee of the Board may from time to time grant.

(d) Benefits. During the Employment Term, Executive will be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) Expenses. During the Employment Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities, subject to the Company's normal policies and procedures for expense verification, documentation and reimbursement intervals. Any reimbursements made under this Section 4(e) must be submitted for payment timely such that it can be paid no later than the last day of Executive's taxable year following the taxable year in which the expense is incurred, or such expense will not be reimbursable.

(f) Vacations and Holidays. Executive shall be entitled to be absent from Executive's duties for the Company by reason of vacation for a period of four (4) weeks per fiscal year, or such longer period as the Company allows based on employment tenure with the Company. Executive's vacation time each fiscal year will accrue in accordance with the Company's normal policies and procedures. Executive shall coordinate Executive's vacation schedule with the Company so as not to impose an undue burden on the Company. In addition, Executive shall be entitled to such national and religious holidays as the Company shall approve for all of its employees from time to time.

(g) Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any compensation paid or payable to Executive pursuant to this Agreement or any other agreement or arrangement with the Company shall be subject to recovery or reduction in future payments in lieu of recovery pursuant to any Company clawback policy in effect from time to time, whether adopted before or after the date of this Agreement.

5. Termination.

(a) This Agreement and Executive's employment will terminate automatically if any of the following occurs:

- (i) Executive's death;
- (ii) Executive's action to terminate employment for any reason whatsoever (including, without limitation, resignation or retirement); or
- (iii) The Company notifies Executive in writing that Executive's employment is terminated for any reason other than those set forth in Sections 5(a)(i) or (ii) above.

(b) By signing this Agreement below, Executive hereby submits an irrevocable letter of resignation pursuant to which Executive resigns from service as a member of the board of directors or as a manager of the Company or any Affiliate thereof, effective immediately upon (i) termination of Executive's employment by the Company for any reason, and (ii) acceptance of such resignation by the Board.

(c) If Executive's employment is terminated for any reason or cause other than a Qualifying Reason as defined in Section 6(b) below (such as Executive's death, disability or for Cause), the Company shall pay to Executive only the Base Salary accrued for the last period of actual employment as well as any

accrued paid time off that might be due at such termination in accordance with policies of the Company in effect from time to time, at the next regular pay date after the Date of Termination, and shall have no other severance obligations under this Agreement. To the extent permitted by applicable law, if Executive owes any monies to the Company at the time of Executive's termination, then the Company may retain money otherwise owed to Executive to the extent of Executive's debt to the Company.

6. **Severance after Qualifying Termination.** If Executive's employment is terminated for a Qualifying Reason, then the Company will pay Executive, as separation pay, the following amounts and subject to the following conditions:

(a) Amount of Separation Pay: Three (3) months of Base Salary, unless the termination occurs within twelve (12) months following a Change in Control, in which case an amount equal to Executive's current Base Salary through the Initial Term or Additional Term (as and if applicable) will be paid, in each case at the Company's regular payroll intervals (subject to the release condition in Section 6(c) and delayed start as provided in that subsection and Section 23(c)). In addition, if Executive's termination occurs for a Qualifying Reason within twelve (12) months following a Change in Control, Executive shall be paid any incentive bonus earned but not yet paid for any fiscal year ended before the Date of Termination, plus an incentive bonus for the year in which the Date of Termination occurs, equal to Executive's target bonus for that year, prorated based on the number of days in the fiscal year elapsed before the Date of Termination, in each case at the same time that incentive bonuses for such periods are payable to other executive employees whose employment did not end.

(b) The Company will pay severance benefits under this Section on account of the termination of Executive's employment with the Company and its Affiliates only if the termination is attributable to one of the following "Qualifying Reasons:"

- (i) the result of Executive having submitted to the Company Executive's written resignation or offer of resignation upon and in accordance with (A) the request by the Board in writing or pursuant to a duly adopted resolution of the Board, or (B) the written request of the Chief Executive Officer of the Company, provided that such request is not based on the Company's finding that Cause for termination exists;
- (ii) a termination by Executive for Good Reason within twelve (12) months following a Change in Control; or
- (iii) a termination by Company for any reason other than Cause or as a result of Executive's death, or a disability which entitles Executive to benefits under the Company's long term disability plan.

A termination by Executive (a separation, including a voluntary retirement, initiated by Executive other than per a request described in subsection (i) above), other than for Good Reason within twelve (12) months following a Change in Control, shall not be a Qualifying Reason under this Agreement.

(c) The Company is not obligated to pay any separation pay to Executive unless Executive has signed a full release of claims against the Company and its Affiliates that is in a form and scope acceptable to the Company (the "Release"), and all applicable consideration periods and rescission periods provided by law have expired. Executive must execute and deliver the Release to the Company no later than the date specified by the Company and in no event later than fifty (50) days following Executive's Date of Termination, and the Release will be delivered by the Company to Executive at least twenty-one (21) days (forty-five (45) days where Executive is required to be given forty-five (45) days to review and consider

the Release) before the deadline set for its return. If the period of time to consider and revoke the Release spans two (2) tax years, then, in no event may separation pay be paid until the second (2nd) such tax year, even if the Release is signed and nonrevocable sooner. When paid, the first (1st) payment will be in an amount equal to the Base Salary that would have been paid at payroll dates before such first (1st) payment, absent a delay until the Release is irrevocable.

(d) Further, Executive shall not be entitled to separation pay if Executive fails to return all Company property within Executive's possession or control and settle all expenses owed to the Company on or before the date the Release is executed and returned to the Company.

(e) If Executive, at any time before all separation payments due under this Agreement are paid, fails to comply with restrictive covenants in this Agreement or any other agreement with the Company, the Company may cease payment and any further amounts due shall be deemed a "disputed payment" for purposes of Code Section 409A-2(g) payable only as and if required as a result of the claim and dispute resolution provisions in Section 17 below.

(f) In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts, benefits and other compensation payable or otherwise provided to Executive after Executive's Date of Termination.

7. **Definitions.** In addition to terms capitalized and defined in the context where first used, the following terms shall have the meanings indicated below:

(a) Termination for "Cause" means a termination by the Company for one (1) or more of the following reasons, as stated in a written notice of termination:

- (i) Executive's conviction of, or being charged with having committed, a felony;
- (ii) Executive's acts of dishonesty or moral turpitude that are detrimental to the business of the Company;
- (iii) Executive's acts or omissions that Executive knew or should have reasonably known were likely to damage the business of the Company;
- (iv) Executive's failure to obey the reasonable and lawful directions of the Company, including, without limitation, the Company's policies and procedures (including the Company's policies prohibiting discrimination, harassment, and retaliation), and the Texas Roadhouse, Inc. Code of Conduct;
- (v) Executive's failure to perform Executive's obligations under this Agreement;
- (vi) Executive's willful breach of any agreement or covenant of this Agreement or any fiduciary duty owed to the Company; and/or
- (vii) Executive's unsatisfactory performance of Executive's duties after: (A) Executive has received written notice of the general nature of the unsatisfactory performance and (B) Executive has failed to cure the unsatisfactory performance within thirty (30) days thereafter to the satisfaction of the Company. If, during this thirty (30) day timeframe, the Company determines that Executive is not making reasonable good faith efforts to cure the deficiencies to the satisfaction of the Company, the

Company has the right to immediately terminate Executive's employment. If the Company determines that Executive cured the unsatisfactory performance before the conclusion of the thirty (30) day timeframe, any recurrence of the same or similar unsatisfactory performance within twelve (12) months of the conclusion of the thirty (30) day timeframe shall constitute "Cause" for Executive's termination, and Executive's employment may be terminated with no further or additional opportunity to cure the unsatisfactory performance.

(b) A "Change in Control" means that one of the following events has taken place:

- (i) consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than fifty percent (50%) of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation;
- (ii) consummation of a sale or disposition of all or substantially all of the assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately before such sale or disposition); or
- (iii) any Person becomes the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of securities representing in excess of fifty percent (50%) of the aggregate voting power of the outstanding securities of the Company as required to be disclosed in a report on Schedule 13D of the Exchange Act.

Notwithstanding anything in the foregoing to the contrary, the Board shall have full and final authority, in its sole discretion, to determine conclusively whether a Change in Control shall have occurred pursuant to the above definition, the date of the occurrence of such Change in Control, and any incidental matters relating thereto.

For purposes of this Section 7(b), the term "Company" means Texas Roadhouse, Inc.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Date of Termination" means (A) if Executive's employment is terminated by the Company or by Executive other than for Good Reason, the date of receipt of the notice of termination or any later date specified therein (which date shall be not more than thirty (30) days after giving such notice), as the case may be, (B) if Executive's employment is terminated by Executive for Good Reason, the thirtieth (30th) day following receipt by the Company of the notice of termination for Good Reason if the Company fails to cure the condition giving rise to Good Reason during the thirty (30) day cure period, or any later date specified therein, as the case may be, provided that such date may not be more than sixty (60) days following the Company's receipt of the notice of termination.

(e) "Good Reason" given by Executive in a notice of termination must be based on:

- (i) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately before the Change in Control;
- (ii) a reduction by the Company or the surviving company in Executive's base pay as in effect immediately before the Change in Control;
- (iii) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change in Control compared to the total package of such benefits as in effect before the Change in Control;
- (iv) the requirement by the Company or the surviving company that Executive be based more than fifty (50) miles from where Executive's office is located immediately before the Change in Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company before the Change in Control; or
- (v) the failure by the Company to obtain from any Successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("Successor") an agreement to assume obligations under this Agreement.

Provided, however, that Good Reason shall not exist unless the reason set forth is not cured within thirty (30) days after Executive has delivered written notice of such condition to the Company. Further, in each case, Executive must give the Company notice of the condition within ninety (90) days of the initial existence of the condition, and the separation from service must occur within sixty (60) days following notice of termination, or the termination will not be considered to be for Good Reason.

(f) "Person" has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

8. **Cooperation.** Executive agrees to cooperate fully with the Company, its attorneys and representatives in any litigation, arbitration or administrative proceeding related to Executive's current or former employment with the Company. With respect to any complaints or concerns that Executive may have regarding Executive's own employment, nothing in this Agreement is intended to preclude or interfere with Executive's right to contact an attorney or governmental agency, or to participate in any investigation or other proceeding involving such an agency. With respect to any other matters, however, Executive agrees not to collaborate with or provide information, documents, or statements to any person or entity adverse to the Company (or its parent, affiliates, or employees) in any actual or potential proceeding, without first providing reasonable written notice to the Company. Nothing herein will prevent Executive from providing truthful responses, under oath, in response to a subpoena from any judicial or governmental authority. If Executive receives any subpoena, or other oral or written request, formal or informal, to provide information or documents from or about the Company or any of its officers, directors, or employees, Executive agrees to notify the Company immediately and cooperate with the Company's attorneys. The Company will use reasonable efforts to schedule Executive's cooperation in a manner that avoids causing Executive any undue hardship. Executive's obligation to cooperate under this Section 8 extends for five (5) years from the last date on which Executive receives any compensation under this Agreement or any amendment and restatement or successor hereto.

9. **Confidentiality and Nondisparagement.**

(a) **Confidentiality Covenant.** Executive agrees:

- (i) Executive's employment creates a relationship in which the Company places confidence and trust in Executive with respect to certain information pertaining to the business of the Company and its Affiliates that Executive may receive during Executive's employment by the Company.
- (ii) Without the written consent of the Company, Executive will not use for Executive's benefit or disclose at any time during or after Executive's employment, except to the extent required by Executive's duties or except to the extent of Executive's obligations under Section 14, any information Executive obtains or develops while employed by the Company regarding any actual or potential recipes, suppliers, products, services, employees, documents pertaining to the Company or any of its Affiliates (including, without limitation, this Agreement, franchise agreements, employment agreements and joint venture agreements), financial affairs, systems, applications, or methods of marketing, service or procurement of the Company or any of its Affiliates, or any confidential matter regarding the business of the Company or any of its Affiliates, except information that at the time is generally known to the public or is required to be disclosed by law or legal process, other than as a result of disclosure by Executive not permitted under this Agreement (collectively, "Confidential Information").
- (iii) At Executive's request, the Company will tell Executive, in writing, whether or not the Company considers any particular item of information to be Confidential Information. Executive agrees to contact the Company before Executive discloses any information that Executive acquired during Executive's employment to determine whether the Company considers the information to be Confidential Information.
- (iv) Upon Executive's termination, Executive will promptly return to the Company all documents and papers (including all copies, stored electronically or otherwise) relating to Confidential Information and other physical property in Executive's possession that belongs to the Company or any of its Affiliates.

(b) **Binding Effect.** Executive agrees that the provisions of this Section 9 are binding upon Executive's heirs, successors and legal representatives.

(c) **Obligations Additive.** Executive acknowledges that the obligations imposed by this Section 9 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law.

(d) **Nondisparagement.** Executive shall not at any time during the Employment Term or for a period of two (2) years after Executive's employment ends, disparage the Company, any of its Affiliates and any of their respective officers and directors.

10. **Intellectual Property.**

(a) **Disclosure and Assignment.** As used herein, “Creations” means writings, works of authorship, recipes, formulas, ideas, concepts, inventions, discoveries, and improvements, whether patented, patentable or not and whether copyrighted, copyrightable, or not. Furthermore, as used herein, “Employment Creations” means any and all Creations created, prepared, produced, authored, amended, conceived or reduced to practice by Executive whether solely or in collaboration with others while he or she is employed by the Company that: (i) relate in any way to the Company’s business; or (ii) relate to the Company’s actual or contemplated business, research, or development; or (iii) result from any work performed by Executive for the Company. Executive acknowledges that, by reason of being employed by the Company at the relevant times, to the extent permitted by law, every copyrightable Employment Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a “work made for hire” as defined in 17 U.S.C. §101, and the Company shall own all rights in and to such Employment Creation throughout the world except to the extent such ownership is waived in writing by the Board. To the extent the preceding sentence does not apply, as of the Effective Date, Executive agrees to transfer and assign and hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every Employment Creation. Executive further agrees to transfer and assign and hereby transfers and assigns to the Company all Creations created, prepared, produced, authored, amended, conceived or reduced to practice by Executive within one (1) year following Executive’s termination of employment with the Company (whether voluntary or otherwise), if the Creation is a result of Company’s Confidential Information obtained by Executive during Executive’s employment with the Company (collectively, “Post-Employment Creations”). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Employment Creation and each Post-Employment Creation. Nothing contained in this Agreement shall be construed to reduce or limit the Company’s rights, title, or interest in any Employment Creations or Post-Employment Creations so as to be less in any respect than that the Company would have had in the absence of this Agreement except to the extent such ownership is waived in writing by the Board.

(b) **Moral Rights.** To the extent any copyrights are assigned under this Agreement, Executive hereby irrevocably waives, to the extent permitted by applicable law, any and all claims Executive may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure, and withdrawal and any other rights that may be known as “moral rights” with respect to all Employment Creations and Post-Employment Creations and all intellectual property rights therein.

(c) **Trademarks.** All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive’s employment (whether or not developed by Executive) to identify the Company’s business or other goods or services (collectively, the “Marks”), together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive’s employment by the Company and relating to its business shall be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(d) **Further Assurances and Documentation.** During and after Executive’s employment, Executive shall, for no additional consideration, reasonably cooperate with the Company to (i) apply for, obtain, perfect, and transfer to the Company the Employment Creations and Post-Employment Creations and any intellectual property rights therein in any jurisdiction in the world; and (ii) maintain, protect, and enforce the same, including, without limitation, executing and delivering to the Company such formal transfers and assignments, applications, oaths, declarations, affidavits, waivers, and such other documents

as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights under this Agreement. The Company will pay all of Executive's reasonable expenses in connection with this cooperation.

(e) Non-Applicability. Executive is hereby notified that this Section 10 does not apply to any Creation for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (i) the Creation relates in any way to (A) the business of the Company, or (B) the Company's actual or contemplated business, research, or development; or (ii) the Creation results from any work performed by Executive for the Company.

(f) No License. Executive understands that this Agreement does not, and shall not be construed to, grant Executive any license or right of any nature with respect to any Employment Creations, or any Post-Employment Creations, or any Confidential Information, materials, recipes, software, or other tools made available to Executive by the Company.

11. **Non-Competition and Non-Solicitation.**

(a) During the Employment Term, Executive will not do or say anything that: (i) could advance an interest of any existing or prospective competitor of the Company or any of its Affiliates in any way; (ii) that will or may injure an interest of the Company or any of its Affiliates in its relationship and dealings with existing or potential suppliers or customers; or (iii) solicits or encourages any other employee of the Company or any of its Affiliates to do or say something that is disloyal to the Company or any of its Affiliates, is inconsistent with the interest of the Company or any of its Affiliate's interests or violates any provision of this Agreement.

(b) During Executive's employment under this Agreement and for two (2) years following the termination of Executive's employment (whether under this Agreement or during a successor or "at will" employment period):

- (i) Executive shall not, directly or indirectly, on Executive's own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants within the United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which Executive knows the Company or its franchisees or its joint venture partners proposes to open within twenty-four (24) months. The provisions of this Section shall also apply to any business which is directly competitive with any other business which the Company or an Affiliate acquires or develops during Executive's employment with the Company.
- (ii) Except as required in the performance of Executive's duties as an employee of the Company, Executive shall not, directly or indirectly, (A) hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company, nor (B) solicit, request, advise, induce or attempt

to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(c) For the purposes of this Agreement, the phrase “proposes to open” a restaurant includes all locations for which active, bona fide negotiations to secure a fee or leasehold interest with the intention of establishing a restaurant are being conducted. Mere ownership, whether through direct or indirect stock holdings or otherwise, of 1% or less of a business shall not constitute a violation of the restriction in Section 11(b)(i) above, unless a greater amount is approved in writing by the Board and the Chairman of Texas Roadhouse, Inc. Executive is deemed to engage in a business if Executive expects to acquire a proprietary interest in a business or to be made an employee, officer, director, manager, consultant, independent contractor, advisor or otherwise of such business at any time after such possibility has been discussed with any officer, director, employee, agent, or promoter of such business.

(d) Executive agrees that Executive’s experience, capabilities and circumstances are such that these provisions will not prevent Executive from earning a livelihood. Executive further agrees that the limitations set forth in this Section (including, without limitation, any time or territorial limitations) are reasonable and properly required for the adequate protection of the businesses of the Company and its Affiliates. The covenants made by Executive in this Section (and in Sections 8, 9, 10 and 17) will survive the expiration or termination of this Agreement.

12. **Injunctive Relief.** Executive acknowledges and agrees that the provisions of the forgoing Sections 8, 9, 10 and 11 are reasonable and necessary to protect legitimate interests of the Company and that a remedy at law for any breach or threatened breach of the provisions of Sections 8, 9, 10 and 11 would be inadequate, and so Executive agrees that the Company and any of its Affiliates are entitled to injunctive relief in addition to any other available rights and remedies in cases of any such breach or threatened breach of those Sections. In addition, Executive acknowledges and agrees that an action for an injunction under Sections 8, 9, 10 and 11 may only be brought in the state or federal courts located in Louisville, Kentucky. Executive irrevocably accepts the venue and jurisdiction of those courts for the purposes of any such suit for an injunction, and further irrevocably waives any claim that any such suit has been brought in an inconvenient forum.

13. **Non-Assignability.** The services to be provided by Executive are personal in nature and therefore neither Executive or Executive’s beneficiaries or legal representatives may assign this Agreement or any right or interest under this Agreement. Any attempt, voluntary or involuntary, to effect any such action will be null, void and of no effect. The Company may assign or delegate this Agreement or any rights and interests under this Agreement to any Affiliate or to any successor to the Company, and Executive will be bound by such assignment or delegation.

14. **Notification to Future Employers.** Executive will notify any future employer of Executive’s obligations under the provisions of Sections 8, 9, 10 and 11.

15. **Affiliate.** For the purposes of this Agreement, the term “Affiliate” or “Affiliates” means (i) Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that directly or indirectly, controls Texas Roadhouse, Inc., (ii) is controlled, directly or indirectly, by Texas Roadhouse, Inc., or (iii) is under common control, directly or indirectly, with Texas Roadhouse, Inc., as well as any entity that owns, operates, manages, licenses or franchises a Texas Roadhouse, Bubba’s 33, or Jagers (or any future Texas Roadhouse or Affiliate) restaurant concept.

16. **Notices.** Any notice required under this Agreement must be given in writing and either delivered in person, via email or by first class certified or registered mail, if to the Company, at the Company's principal place of business: Attn: Texas Roadhouse Legal Department, 6040 Dutchmans Lane, Louisville, KY 40205, and if to Executive, at Executive's home address most recently filed with the Company, or to such other address as either party has designated in writing to the other party.

17. **Dispute Resolution.**

(a) **Arbitration Agreement.** Except as provided in Section 10, all disputes, claims, or controversies between Executive and the Company or any of its Affiliates, or any of their employees, arising out of or in any way related to (i) this Agreement, (ii) the breach, termination, enforcement, interpretation, or validity thereof, or (iii) Executive's Employment, shall be resolved by arbitration in Louisville, Kentucky, or in an alternate, mutually-convenient location of the parties' choosing, by one arbitrator, who shall be a lawyer or retired judge with at least ten years' experience. Executive and the Company and its Affiliates agree to arbitrate those claims whether they arise in contract or tort, assert violations of statutes, regulations, or ordinances, or are based on other legal or equitable theories. Arbitration shall proceed under the rules and procedures of the American Arbitration Association, including its procedures for dispositive motion practice. The parties to the arbitration shall use good faith efforts to complete the arbitration within one hundred fifty (150) days of the appointment of the arbitrator. In any arbitration that Executive commences, the Company will pay the arbitrator's fees if Executive prevails, or if other applicable law requires the Company to do so. It is expressly agreed that this Agreement evidences a transaction in interstate commerce and that this Section 17(a) is governed by the Federal Arbitration Act. Executive may reject this Section 17(a) if Executive does so in writing to the Company within thirty (30) days of Executive's Employment Date.

(b) **Waiver of Jury Trial and Class or Multiparty Claims.** **By agreeing to arbitrate, Executive and the Company and its Affiliates voluntarily and knowingly waive any right to a jury trial.** In addition, Executive acknowledges that Executive's relationship with the Company is unique and that there are and will be differences from the relationships the Company may have with other employees or executives. Therefore, any arbitration shall be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or claimant, consolidated or similar basis.

(c) **Limitations Period: Deadline to Assert Claims.** Executive and the Company and its Affiliates agree that arbitration of any disputes, claims, or controversies shall be initiated within one year of the act or occurrence giving rise to the dispute, claim or controversy, even though that deadline is or may be shorter than the period provided by statutes of limitations that would apply in the absence of this Section. Any claim that is not asserted in an arbitration within one (1) year of the act or occurrence giving rise to it shall be deemed waived.

(d) **Governing Law & Forum.** This Agreement is governed by Federal Arbitration Act and the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. If Executive timely and validly rejects Section 17(a), or otherwise files any claim against the Company or any of its Affiliates that is not subject to Section 17(a), Executive agrees that the state or federal courts located in Jefferson County, Kentucky shall be the exclusive forum for such a claim.

18. **Severability.** Executive agrees that if any the arbitrator or court of competent jurisdiction will finally hold that any provision of Sections 8, 9, 10, 11 or 17 is void or constitutes an unreasonable restriction against Executive, the provisions of such Sections 8, 9, 10, 11 or 17 will not be rendered void but will apply to such extent as such arbitrator or court may judicially determine constitutes a reasonable restriction under the circumstances. If any part of this Agreement other than Sections 8, 9, 10, 11 or 17 is

held by an arbitrator or court of competent jurisdiction to be invalid, illegal or incapable of being enforced in whole or in part by reason of any rule of law or public policy, such part will be deemed to be severed from the remainder of this Agreement for the purpose only of the particular legal proceedings in question and such part and all other covenants and provisions of this Agreement will in every other respect continue in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision.

19. **Waiver.** Failure to insist upon strict compliance with any of the terms, covenants or conditions is not a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any right or power be deemed a waiver or relinquishment of such right or power.

20. **Nature of Relationship.** This Agreement creates an employee-employer relationship. The parties do not intend for this Agreement to create a legal or equitable partnership, a joint venture, or any other relationship.

21. **Entire Agreement; Modifications.** This Agreement represents the entire agreement between the parties regarding the subject matter and supersedes all prior oral or written proposals, understandings, and other commitments between the parties related to Executive's employment by the Company and Affiliates, except for any written stock option or stock award agreement between Executive and the Company. This Agreement is binding upon and benefits the parties, their heirs, legal representatives, successors, and permitted assigns. This Agreement may be modified or amended only by an instrument in writing signed by both parties.

22. **Beneficial Ownership of Liquor Licenses.** If a local or state law requires Executive to be the owner of the liquor license, or to be a member of the entity that owns the liquor license, Executive acknowledges and agree that such ownership is solely for the benefit of the owner of the restaurant and/or the entity holding the liquor license and that Executive is not entitled to compensation relating to the ownership of any liquor license, or relating to the ownership of any member interest in an entity owning a liquor license. Upon termination of Executive's employment, Executive will relinquish ownership of the liquor license upon request of the Company or the owner of the restaurant, and Executive will surrender, without compensation, any membership interest in an entity owning a liquor license. Executive will execute and deliver any documents that the Company requests in order to effect such transfer of ownership promptly and without consideration.

23. **Tax Matters.**

(a) **Withholding.** Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that the Company determines are required to be withheld by applicable laws or regulations.

(b) **409A Compliance Intent.** This Agreement is intended to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional compensation under this Agreement. This Agreement shall be interpreted, construed, and administered in accordance with this intent, provided that the Company does not promise or warrant any tax treatment of compensation. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

(c) Six Month Delay. Notwithstanding anything herein to the contrary, if Executive is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on the Date of Termination, any payments under this Agreement that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall not begin to be paid until six months after the Date of Termination, and at that time, Executive will receive in one lump sum payment of all the payments (without interest) that would have otherwise been paid to Executive during the first six (6) months following Executive’s Date of Termination. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(d) Termination Must be within 409A to Trigger Payments. For purposes of the timing of payments triggered by the termination, termination shall not be considered to have occurred until the date Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Code Section 414(b) or (c) (but substituting fifty percent (50%) for eighty percent (80%) in the application thereof) (the “Employer Group”), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will permanently decrease to less than twenty percent (20%) of the average level of bona fide services performed over the previous thirty-six (36) months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of Executive’s employment while he is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive’s employment will be considered to terminate on the first day after the end of such six-month period, or on the day after Executive’s statutory or contractual reemployment right lapses, if later. The Company will determine when Executive’s Date of Termination occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

(e) Code Section 280G Cap. If the separation pay described in Section 6(a) plus the value of any other compensation or benefits payable pursuant to any other plan or program of the Company that are deemed to be paid or transferred in connection with the Change in Control (the “CIC Benefits”) are payable to Executive in connection with a Change in Control and, if paid, could subject Executive to an excise tax under Code Section 4999 and any similar tax imposed by state or local law as well as any interest and penalties with respect to such tax(es) (the “Excise Tax”), then notwithstanding the provisions of Section 6, the Company shall reduce the CIC Benefits (the “Benefit Reduction”) to \$1.00 below the amount necessary to result in Executive not being subject to the Excise Tax. Executive shall bear all expense of, and be solely responsible for, any Excise Tax should no Benefit Reduction be made. The determination of whether any such Benefit Reduction shall be imposed shall be made by a nationally recognized public accounting firm selected by the Company and reasonably acceptable to Executive, and such determination shall be binding on both Executive and the Company. Such accounting firm shall be engaged by and paid by the Company and shall promptly give the Company and Executive a copy of the detailed calculation of any Benefit Reduction.

[signature page follows]

SIGNED:

Dated: 3/31/21

EXECUTIVE:

/s/ Christopher C. Colson
Signature

Christopher C. Colson
Printed Name

COMPANY:

TEXAS ROADHOUSE MANAGEMENT CORP.

Dated: 3/31/21

By: /s/ Tonya Robinson
Tonya Robinson, Treasurer

TXRH Executive Employment Agreement – COLSON
Signature Page

SCHEDULE 1

Year 1

Base Salary: \$350,000

Incentive Bonus target: \$200,000

Equity Incentive Grant: 7,500 service based restricted stock units, to be granted on March 31, 2021 and to vest thereafter on January 8, 2022, subject to certain conditions and limitations set forth in a separate RSU Agreement.

TXRH Executive Employment Agreement – COLSON
Schedule 1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, Gerald L. Morgan, certify that:

1. I have reviewed this report on Form 10-Q of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

By: /s/ GERALD L. MORGAN

Gerald L. Morgan
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, Tonya R. Robinson, certify that:

1. I have reviewed this report on Form 10-Q of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

By: /s/ TONYA R. ROBINSON

Tonya R. Robinson
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

I, Gerald L. Morgan, Chief Executive Officer of Texas Roadhouse, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

By: /s/ GERALD L. MORGAN

Gerald L. Morgan
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

I, Tonya R. Robinson, Chief Financial Officer of Texas Roadhouse, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

By: /s/ TONYA R. ROBINSON

Tonya R. Robinson
Chief Financial Officer