



Texas Roadhouse, Inc. Announces First Quarter 2012 Results

LOUISVILLE, Ky.--(BUSINESS WIRE)-- Texas Roadhouse, Inc. (NasdaqGS: TXRH), today announced financial results for the 13 week period ended March 27, 2012.

| (\$000's) | First Quarter | | |
|----------------------------|---------------|---------|----------|
| | 2012 | 2011 | % Change |
| Total revenue | 324,869 | 283,785 | 14 |
| Income from operations (1) | 29,402 | 30,209 | (3) |
| Net income (1) | 18,869 | 19,793 | (5) |
| Diluted EPS (1) | \$ 0.27 | \$ 0.27 | (1) |

(1) includes a charge related to a legal settlement discussed below

Results for the first quarter included:

- Before a one-time charge, diluted earnings per share increased 15.3% to \$0.31 from \$0.27 in the prior year period;
- The Company recorded a one-time, pre-tax charge of \$5.0 million (\$3.1 million after-tax) for a legal settlement, which had a \$0.04 impact on diluted earnings per share;
- Comparable restaurant sales increased 6.0% at company restaurants and 6.9% at franchise restaurants;
- Eight company restaurants were opened;
- Restaurant margins, as a percentage of restaurant sales, decreased 13 basis points to 19.1%.

Kent Taylor, Chief Executive Officer of Texas Roadhouse, commented, "We were pleased with our performance during the period and believe that Texas Roadhouse remains very well poised for continued growth. Our sales momentum continued throughout the quarter for both existing and new restaurants, and we remain on track to open 25 restaurants in 2012. Additionally, we continue to work toward at least 25 new restaurant openings in 2013. Finally, our balance sheet remains strong and we will continue to evaluate ways to return capital to shareholders through dividends and share repurchases."

2012 Outlook

The Company reported that comparable restaurant sales at company restaurants for the first four weeks of its second quarter of fiscal 2012 increased approximately 4.8% compared to the prior year period.

The Company currently anticipates that GAAP diluted earnings per share for 2012, which includes the legal settlement charge discussed below, will be \$0.91 to \$0.93. This compares to diluted earnings per share of \$0.88 in 2011. The updated guidance is based, in part, on the following assumptions:

- Comparable restaurant sales growth of 4.0% to 5.0%;
- 25 company restaurant openings;
- Food cost inflation of 7.0% to 7.5%, slightly lower than previously expected;
- A pre-tax charge of \$5.0 million (\$3.1 million after-tax) for a legal settlement. This charge is expected to negatively impact 2012 diluted earnings per share by approximately \$0.04;
- An income tax rate of 32.5% to 33.0%, which is much higher than the prior year rate of 29.5% as a result of the expiration of certain federal tax credits at the end of 2011. The increased tax rate is expected to negatively impact 2012 diluted earnings per share by approximately \$0.04; and
- Total capital expenditures of \$80.0 to \$85.0 million.

Settlement of a Legal Matter

The Company reached a settlement agreement, subject to court approval, of a previously disclosed legal matter relating to Massachusetts wage law. Accordingly, a pre-tax charge of \$5.0 million, or \$0.04 per diluted earnings per share, is included in the Company's financial results for the first quarter. A reconciliation of GAAP and non-GAAP information for the first quarter of fiscal 2012 is included with this release.

Conference Call

The Company is hosting a conference call today, April 30, 2012, at 5:00 p.m. Eastern Time to discuss these results. The dial-in number is (888) 811-5436 or (913) 312-0947 for international calls. A replay of the call will be available for one week following the conference call. To access the replay, please dial (877) 870 -5176 or (858) 384-5517 for international calls, and use 8483988 as the pass code. There will be a simultaneous Web cast conducted at www.texasroadhouse.com.

About the Company

Texas Roadhouse is a casual dining concept that first opened in 1993 and today operates over 370 restaurants system-wide in 47 states and one foreign country. For more information, please visit the Company's Web site at www.texasroadhouse.com.

Forward-looking Statements

Certain statements in this release that are not historical facts, including, without limitation, those relating to our anticipated financial performance, are forward-looking statements that involve risks and uncertainties. Such statements are based upon the current beliefs and expectations of the management of the Company. Actual results may vary materially from those contained in forward-looking statements based on a number of factors including, without limitation, the actual number of restaurants opening, the sales at these and our other company and franchise restaurants, changes in restaurant development or operating costs, such as food and labor, our ability to acquire franchise restaurants, our ability to integrate the franchise restaurants we acquire or other concepts we develop, strength of consumer spending, conditions beyond the Company's control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting the Company's customers or food supplies, acts of war or terrorism and other factors disclosed from time to time in the Company's filings with the U.S. Securities and Exchange Commission. Investors should take such risks into account when making investment decisions. Stockholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update any forward-looking statements.

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

| | 13 Weeks Ended | |
|--------------------------------|----------------|----------------|
| | March 27, 2012 | March 29, 2011 |
| Revenue: | | |
| Restaurant sales | \$ 322,012 | \$ 281,320 |
| Franchise royalties and fees | 2,857 | 2,465 |
| Total revenue | <u>324,869</u> | <u>283,785</u> |
| Costs and expenses: | | |
| Restaurant operating costs: | | |
| Cost of sales | 109,655 | 93,541 |
| Labor | 93,347 | 82,720 |
| Rent | 6,252 | 5,657 |
| Other operating | 51,229 | 45,281 |
| Pre-opening | 3,585 | 1,890 |
| Depreciation and amortization | 11,347 | 10,600 |
| Impairment and closure | 19 | 26 |
| General and administrative (1) | <u>20,033</u> | <u>13,861</u> |

| | | |
|--|------------------|------------------|
| Total costs and expenses | 295,467 | 253,576 |
| Income from operations | 29,402 | 30,209 |
| Interest expense, net | 605 | 565 |
| Equity income from investments in unconsolidated affiliates | 41 | 103 |
| Income before taxes | 28,838 | 29,747 |
| Provision for income taxes | 9,085 | 9,272 |
| Net income including noncontrolling interests | \$ 19,753 | \$ 20,475 |
| Less: Net income attributable to noncontrolling interests | 884 | 682 |
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries | <u>\$ 18,869</u> | <u>\$ 19,793</u> |
| Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries: | | |
| Basic | <u>\$ 0.27</u> | <u>\$ 0.27</u> |
| Diluted | <u>\$ 0.27</u> | <u>\$ 0.27</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>69,405</u> | <u>72,052</u> |
| Diluted | <u>70,830</u> | <u>73,727</u> |

(1) Results for the 13 weeks ended March 27, 2012 include a \$5.0 million pre-tax charge relating to the settlement of a legal matter.

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

| | (unaudited) | |
|--|-----------------------|--------------------------|
| | <u>March 27, 2012</u> | <u>December 27, 2011</u> |
| Cash and cash equivalents | \$ 77,322 | \$ 73,731 |
| Other current assets | 35,497 | 38,243 |
| Property and equipment, net | 507,873 | 497,217 |
| Goodwill | 110,946 | 110,946 |
| Intangible assets, net | 8,773 | 9,042 |
| Other assets | 12,329 | 11,491 |
| Total assets | <u>\$ 752,740</u> | <u>\$ 740,670</u> |
| Current maturities of long-term debt and obligations under capital leases | 312 | 304 |
| Other current liabilities | 137,333 | 136,068 |
| Long-term debt and obligations under capital leases, excluding current maturities | 51,520 | 61,601 |
| Other liabilities | 47,959 | 46,875 |
| Texas Roadhouse, Inc. and subsidiaries stockholders' equity | 510,568 | 491,904 |
| Noncontrolling interests | 5,048 | 3,918 |
| Total liabilities and equity | <u>\$ 752,740</u> | <u>\$ 740,670</u> |

Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | 13 Weeks Ended | |
|--|----------------|----------------|
| | March 27, 2012 | March 29, 2011 |
| Cash flows from operating activities: | | |
| Net income including noncontrolling interests | \$ 19,753 | \$ 20,475 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 11,347 | 10,600 |
| Share-based compensation expense | 3,053 | 2,960 |
| Other noncash adjustments | (1,781) | 172 |
| Change in working capital | 6,388 | (2,071) |
| Net cash provided by operating activities | 38,760 | 32,136 |
| Cash flows from investing activities: | | |
| Capital expenditures - property and equipment | (22,839) | (12,458) |
| Proceeds from sale of property and equipment, including insurance proceeds | 98 | 49 |
| Net cash used in investing activities | (22,741) | (12,409) |
| Cash flows from financing activities: | | |
| Proceeds (repayments) of revolving credit facility, net | (10,000) | - |
| Repurchase shares of common stock | - | (25,269) |
| Dividends paid | (5,535) | - |
| Other financing activities | 3,107 | 747 |
| Net cash used in financing activities | (12,428) | (24,522) |
| Net (decrease) increase in cash and cash equivalents | 3,591 | (4,795) |
| Cash and cash equivalents - beginning of year | 73,731 | 82,215 |
| Cash and cash equivalents - end of year | \$ 77,322 | \$ 77,420 |

Texas Roadhouse, Inc. and Subsidiaries
Supplemental Financial and Operating Information
(\$ amounts in thousands, except weekly sales by group)
(unaudited)

| | First Quarter | | Change vs LY |
|--|---------------|-----------|-----------------|
| | 2012 | 2011 | |
| Restaurant openings | | | |
| Company - Texas Roadhouse | 8 | 2 | 6 |
| Company - Aspen Creek | 0 | 0 | 0 |
| Franchise - Texas Roadhouse | 0 | 0 | 0 |
| Total | 8 | 2 | 6 |
| Restaurants open at the end of the quarter | | | |
| Company - Texas Roadhouse | 299 | 273 | 26 |
| Company - Aspen Creek | 3 | 3 | 0 |
| Franchise - Texas Roadhouse | 72 | 71 | 1 |
| Total | 374 | 347 | 27 |
| Company-owned restaurants | | | |
| Restaurant sales | \$322,012 | \$281,320 | 14.5 % |
| Store weeks | 3,851 | 3,568 | 7.9 % |
| Comparable restaurant sales growth (1) | 6.0% | 4.6% | |

Texas Roadhouse restaurants only:

| | | | |
|---|-----------|-----------|----------|
| Comparable restaurant sales growth (1) | 6.0% | 4.6% | |
| Average unit volume (2) | \$ 1,081 | \$ 1,022 | 5.7 % |
| Weekly sales by group (3): | | | |
| Comparable restaurants (263 units) | \$ 83,395 | | |
| Average unit volume restaurants (13 units) | \$ 77,678 | | |
| Restaurants less than 6 months old (23 units) | \$ 95,927 | | |
| Restaurant operating costs (as a % of restaurant sales) | | | |
| Cost of sales | 34.1% | 33.3% | 80 bps |
| Labor | 29.0% | 29.4% | (42) bps |
| Rent | 1.9% | 2.0% | (7) bps |
| Other operating | 15.9% | 16.1% | (19) bps |
| Total | 80.9% | 80.8% | 13 bps |
| Restaurant margins (4) | 19.1% | 19.2% | (13) bps |
| Franchise-owned restaurants | | | |
| Franchise royalties and fees | \$ 2,857 | \$ 2,465 | 15.9 % |
| Store weeks | 936 | 923 | 1.4 % |
| Comparable restaurant sales growth (1) | 6.9% | 3.8% | |
| Average unit volume (2) | \$ 1,062 | \$ 994 | 6.8 % |
| Pre-opening expense | \$ 3,585 | \$ 1,890 | 89.7 % |
| Depreciation and amortization | \$ 11,347 | \$ 10,600 | 7.0 % |
| As a % of revenue | 3.5% | 3.7% | (24) bps |
| General and administrative expenses (5) | \$ 20,033 | \$ 13,861 | 44.5 % |
| As a % of revenue | 6.2% | 4.9% | 128 bps |

(1) Comparable restaurant sales growth includes sales from restaurants open 18 months as of the beginning of the measurement period, excluding sales from restaurants closed during the period.

(2) Average unit volume includes sales from Texas Roadhouse restaurants open six months as of the beginning of the measurement period, excluding sales from restaurants closed during the period.

(3) Weekly sales by group (Texas Roadhouse restaurants only) includes sales from comparable restaurants, sales from average unit restaurants and sales from restaurants which were open less than six months as of the beginning of the measurement period. Average unit volume restaurants includes sales from restaurants open less than 18 months, but more than six months, as of the beginning of the measurement period, excluding sales from restaurants closed during the period.

(4) Restaurant margins represent restaurant sales less restaurant operating costs (as a percentage of restaurant sales).

(5) Results for the 13 weeks ended March 27, 2012 include a \$5.0 million pre-tax charge for the settlement of a legal matter.

Amounts may not foot due to rounding.

Texas Roadhouse, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
(in thousands, except per share data)
(unaudited)

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this document, the Company has provided non-GAAP measurements which present operating results on a basis before the impact of a settlement of a legal matter. This item is described in detail throughout this document.

The Company used earnings before the impact of the proposed legal settlement as a key performance measure of results of operations for purposes of evaluating performance internally. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of results before the legal settlement provides additional information to facilitate the comparison of past and present operations, excluding items that the Company does not believe are indicative of our ongoing operations in the quarter ended March 27, 2012.

For the 13 weeks Ended

| | <u>March 27, 2012</u> | <u>March 29, 2011</u> |
|--|-----------------------|---------------------------|
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries, excluding settlement charge | \$ 21,931 | \$ 19,793 |
| Amount reserved for settlement of a legal matter, net of tax (1) | \$ (3,062) | \$ - |
| Net income attributable to Texas Roadhouse, Inc. and subsidiaries | <u>\$ 18,869</u> | <u>\$ 19,793</u> |
| Weighted average diluted shares outstanding | 70,830 | 73,727 |
| Diluted earnings per share, excluding settlement charge | \$ 0.31 | \$ 0.27 |
| Impact of settlement charge on diluted earnings per share | \$ (0.04) | \$ - |
| Diluted earnings per share | <u>\$ 0.27</u> | <u>\$ 0.27</u> |

(1) Amount reserved in the first quarter of fiscal 2012 for the settlement of a legal matter was \$5.0 million before the statutory income tax rate. The settlement amount was included in general and administrative costs on the Company's Condensed Consolidated Statements of Income and Comprehensive Income.

Texas Roadhouse, Inc.
Investor Relations
Tonya Robinson, 502-515-7300
or
Media
Travis Doster, 502-638-5457

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