UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2011

OR

o 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)

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 x No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o.

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

The number of shares of common stock outstanding were 71,437,080 on July 29, 2011.

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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) June 28, 2011		December 28, 2010
Assets				
Current assets:				
Cash and cash equivalents	$	79,376	$	82,215
Receivables, net of allowance for doubtful accounts of $294 at June 28, 2011 and $222 at December 28, 2010		12,350		12,563
Inventories, net		8,889		9,197
Prepaid income taxes				375
Prepaid expenses		5,110		7,204
Deferred tax assets		2,869		2,368
Total current assets		108,594		113,922
Property and equipment, net		467,378		458,983
Goodwill		111,785		111,785
Intangible assets, net		9,580		10,118
Other assets		10,872		7,993
Total assets	$	708,209	$	702,801
Liabilities and Stockholders Equity				
Current liabilities:				
Current maturities of long-term debt and obligations under capital leases	$	289	$	274
Accounts payable		28,421		26,864
Deferred revenue gift cards/certificates		18,426		39,165
Accrued wages		22,557		21,050
Income tax payable		105		
Accrued taxes and licenses		12,077		12,318
Dividends payable		5,706		
Other accrued liabilities		17,613		12,387
Total current liabilities		105,194		112,058
Long-term debt and obligations under capital leases, excluding current maturities		51,757		51,906
Stock option and other deposits		4,403		4,052
Deferred rent		15,694		14,457
Deferred tax liabilities		9,720		8,444
Fair value of derivative financial instruments		3,288		2,178
Other liabilities		11,708		10,324
Total liabilities		201,764		203,419
Texas Roadhouse, Inc. and subsidiaries stockholders equity:				
Preferred stock ($0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)				

Common stock, ($0.001 par value, 100,000,000 shares authorized, 71,361,020 and 72,222,991 shares issued and outstanding at June 28, 2011 and December 28, 2010, respectively)		71		72
Additional paid in capital		233,102		250,874
Retained earnings		271,479		247,008
Accumulated other comprehensive loss		(2,020)		(1,338)
Total Texas Roadhouse, Inc. and subsidiaries stockholders equity		502,632		496,616
Noncontrolling interests		3,813		2,766
Total equity		506,445		499,382
Total liabilities and equity	$	708,209	$	702,801

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(in thousands, except per share data)

(unaudited)

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2011	June 29, 2010	June 28, 2011	June 29, 2010
Revenue:				
Restaurant sales	$ 277,089	$ 252,835	$ 558,409	$ 510,177
Franchise royalties and fees	2,483	2,327	4,948	4,609
Total revenue	279,572	255,162	563,357	514,786
Costs and expenses:				
Restaurant operating costs:				
Cost of sales	92,266	82,660	185,807	165,459
Labor	82,912	74,497	165,632	149,406
Rent	5,700	5,287	11,357	10,557
Other operating	45,938	42,767	91,219	85,365
Pre-opening	2,196	1,307	4,086	2,412
Depreciation and amortization	10,553	10,262	21,153	20,599
Impairment and closures	20	100	46	258
General and administrative	16,239	14,953	30,100	27,295
Total costs and expenses	255,824	231,833	509,400	461,351
Income from operations	23,748	23,329	53,957	53,435
Interest expense, net	542	704	1,107	1,434
Equity income from investments in unconsolidated affiliates	(97)	(92)	(200)	(200)
Income before taxes	23,303	22,717	53,050	52,201
Provision for income taxes	6,604	7,049	15,876	16,655
Net income including noncontrolling interests	$ 16,699	$ 15,668	$ 37,174	$ 35,546
Less: Net income attributable to noncontrolling interests	623	632	1,305	1,269
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 16,076	$ 15,036	$ 35,869	$ 34,277
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:				
Basic	$ 0.23	$ 0.21	$ 0.50	$ 0.48
Diluted	$ 0.22	$ 0.21	$ 0.49	$ 0.47
Weighted-average shares outstanding:				
Basic	71,261	71,471	71,654	71,076

Diluted		72,791		72,961		73,256		72,587
Cash dividends declared per share	$	0.08	$		$	0.16	$	

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders Equity and Comprehensive Income

(in thousands, except share data)

(unaudited)

	Shares	Par Value	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 28, 2010	72,222,991	$ 72	$ 250,874	$ 247,008	$ (1,338)	$ 496,616	$ 2,766	$ 499,382
Comprehensive income:								
Unrealized loss on derivatives, net of tax of $0.4 million					(682)	(682)		(682)
Net income				35,869		35,869	1,305	37,174
Total comprehensive income						35,187	1,305	36,492
Distributions to noncontrolling interests							(1,221)	(1,221)
Minority interest contribution							963	963
Minority interest liquidation adjustments			(29)			(29)		(29)
Dividends paid ($0.08 per share)				(5,692)		(5,692)		(5,692)
Dividends declared ($0.08 per share)				(5,706)		(5,706)		(5,706)
Shares issued under stock option plan including tax effects	340,782	1	4,037			4,038		4,038
Repurchase of shares of common stock	(1,500,000)	(2)	(25,267)			(25,269)		(25,269)
Settlement of restricted stock units, net of tax	297,247		(2,246)			(2,246)		(2,246)
Share-based compensation			5,733			5,733		5,733
Balance, June 28, 2011	71,361,020	$ 71	$ 233,102	$ 271,479	$ (2,020)	$ 502,632	$ 3,813	$ 506,445

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	26 Weeks Ended	
	June 28, 2011	June 29, 2010
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 37,174	$ 35,546
Depreciation and amortization	21,153	20,599
Deferred income taxes	1,203	1,643
Loss on disposition of assets	971	630
Impairment and closures		141
Equity income from investments in unconsolidated affiliates	(200)	(200)
Distributions received from investments in unconsolidated affiliates	174	212
Provision for doubtful accounts	(73)	(31)
Share-based compensation expense	5,733	3,736
Changes in operating working capital:		
Receivables	286	(85)
Inventories	308	402
Prepaid expenses and other current assets	2,094	116
Other assets	(2,882)	(301)
Accounts payable	1,557	(2,873)
Deferred revenue gift cards/certificates	(20,739)	(17,420)
Accrued wages	1,507	2,013
Excess tax benefits from share-based compensation	(389)	(2,095)
Prepaid income taxes and income taxes payable	869	146
Accrued taxes and licenses	(241)	2,373
Other accrued liabilities	5,225	1,316
Deferred rent	1,237	1,091
Other liabilities	1,384	1,369
Net cash provided by operating activities	$ 56,351	$ 48,328
Cash flows from investing activities:		
Capital expenditures property and equipment	(29,093)	(17,967)
Proceeds from sale of property and equipment, including insurance proceeds	75	51
Net cash used in investing activities	$ (29,018)	$ (17,916)
Cash flows from financing activities:		
Repayments of revolving credit facility, net		(22,000)
Investments in unconsolidated affiliates		(28)
Distributions to noncontrolling interest holders	(1,221)	(1,159)
Excess tax benefits from share-based compensation	389	2,095
Repayments of stock option and other deposits	(578)	(536)
Proceeds from stock option and other deposits	929	623
Repurchase shares of common stock	(25,269)	
Settlement of restricted stock units, net of tax	(2,246)	(1,724)
Principal payments on long-term debt and capital lease obligations	(134)	(120)

Proceeds from exercise of stock options		3,650		5,814
Dividends paid to stockholders		(5,692)		
Net cash used in financing activities	$	(30,172)	$	(17,035)
Net (decrease)increase in cash and cash equivalents		(2,839)		13,377
Cash and cash equivalents beginning of period		82,215		46,858
Cash and cash equivalents end of period	$	79,376	$	60,235
Supplemental disclosures of cash flow information:				
Interest, net of amounts capitalized	$	215	$	1,390
Income taxes, net of refunds	$	13,804	$	14,864

See accompanying notes to condensed consolidated financial statements.

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Texas Roadhouse, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

(unaudited)

1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Texas Roadhouse, Inc. (the Company , we and/or our), our wholly-owned subsidiaries and subsidiaries in which we own more than 50 percent interest, as of and for the 13 and 26 weeks ended June 28, 2011 and June 29, 2010. Our wholly-owned subsidiaries include: Texas Roadhouse Holdings LLC (Holdings), Texas Roadhouse Development Corporation (TRDC), Texas Roadhouse Management Corp. (Management Corp.) and Aspen Creek, LLC (Aspen Creek). We and our subsidiaries operate restaurants under the names Texas Roadhouse and Aspen Creek. Holdings also provides supervisory and administrative services for certain other franchise and license restaurants. TRDC sells franchise rights and collects the franchise royalties and fees. Management Corp. provides management services to the Company, Holdings, Aspen Creek and certain other license and franchise restaurants. All material balances and transactions between the consolidated entities have been eliminated.

As of June 28, 2011 and June 29, 2010, we owned 5.0% to 10.0% equity interest in 21 franchise restaurants. While we exercise significant control over these franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and/or cash flows. Our investment in these unconsolidated affiliates is included in Other assets in our condensed consolidated balance sheets and we record our percentage share of net income earned by these unconsolidated affiliates on our condensed consolidated statements of income under Equity income from investments in unconsolidated affiliates.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reporting of revenue and expenses during the period to prepare these 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, income taxes and share-based compensation expense. 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 financial position, results of operations and cash flows for the periods presented. The 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 (SEC). Operating results for the 26 weeks ended June 28, 2011 are not necessarily indicative of the results that may be expected for the year ending December 27, 2011. 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 28, 2010.

Our significant interim accounting policies include the recognition of income taxes using an estimated annual effective tax rate.

(2) Share-based Compensation

We may grant incentive and non-qualified stock options to purchase shares of common stock, stock bonus awards (restricted stock unit awards (RSUs)) and restricted stock awards under the Texas Roadhouse, Inc. 2004 Equity Incentive Plan (the Plan). Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by eliminating stock option grants and, instead, granting RSUs 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.

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

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2011	**June 29, 2010**	**June 28, 2011**	**June 29, 2010**
Labor expense	$ 996	$ 842	$ 1,934	$ 1,603
General and administrative expense	1,777	1,064	3,799	2,133
Total share-based compensation expense	$ 2,773	$ 1,906	$ 5,733	$ 3,736

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A summary of share-based compensation activity by type of grant as of June 28, 2011 and changes during the period then ended is presented below.

Summary Details for Plan Share Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 28, 2010	3,996,512	$ 11.87		
Granted				
Forfeited	(13,155)	15.87		
Exercised	(340,782)	10.71		
Outstanding at June 28, 2011	3,642,575	$ 11.96	4.15	$ 21,307
Exercisable at June 28, 2011	3,552,773	$ 11.92	4.11	$ 20,923

No stock options were granted during the 26 weeks ended June 28, 2011.

The total intrinsic value of options exercised during the 13 weeks ended June 28, 2011 and June 29, 2010 was $0.7 million and $1.9 million, respectively. The total intrinsic value of options exercised during the 26 weeks ended June 28, 2011 and June 29, 2010 was $2.1 million and $6.6 million, respectively. As of June 28, 2011, with respect to unvested stock options, there was an immaterial amount of unrecognized compensation cost that is expected to be recognized over a weighted-average period of less than a year. The total grant date fair value of stock options vested for both 13 week periods ended June 28, 2011 and June 29, 2010 was $0.2 million. The total grant date fair value of stock options vested for both 26 week periods ended June 28, 2011 and June 29, 2010 was $0.4 million and $1.0 million, respectively.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 28, 2010	1,205,410	$ 11.71
Granted	551,963	16.96
Forfeited	(47,937)	15.54
Vested	(434,428)	11.62
Outstanding at June 28, 2011	1,275,008	$ 13.67

As of June 28, 2011, with respect to unvested RSUs, there was $10.0 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.4 years. The vesting terms of the RSUs range from 1.0 to 5.0 years. The total grant date fair value of RSUs vested for the 13 week periods ended June 28, 2011 and June 29, 2010 was $2.0 million and $1.1 million, respectively. The total grant date fair value of RSUs vested for the 26 week periods ended June 28, 2011 and June 29, 2010 was $5.5 million and $4.2 million, respectively.

(3) Long-term Debt and Obligations Under Capital Leases

Long-term debt and obligations under capital leases consisted of the following:

	June 28, 2011	December 28, 2010
Installment loans, due 2011 2020	$ 1,774	$ 1,865
Obligations under capital leases	272	315
Revolver	50,000	50,000
	52,046	52,180
Less current maturities	289	274
	$ 51,757	$ 51,906

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The weighted-average interest rate for installment loans outstanding at June 28, 2011 and December 29, 2009 was 10.57%. The debt is secured by certain land and buildings.

We have a $250.0 million five-year revolving credit facility with a syndicate of commercial lenders led by Bank of America, N.A., Banc of America Securities LLC and PNC Bank. The facility expires on May 31, 2012. The terms of the facility require us to pay interest on outstanding borrowings at LIBOR plus a margin of 0.50% to 0.875%, depending on our leverage ratio, or the Base Rate, which is the higher of the issuing bank s prime lending rate or the Federal Funds rate plus 0.50%. We are also required to pay a commitment fee of 0.10% to 0.175% per year on any unused portion of the facility, depending on our leverage ratio. The weighted-average interest rate for the revolver at both June 28, 2011 and December 28, 2010 was 3.59%, including interest rate swaps. At June 28, 2011, we had $50.0 million outstanding under the credit facility and $196.2 million of availability, net of $3.8 million of outstanding letters of credit.

The lenders obligation to extend credit under the facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of June 28, 2011.

As part of replacing our existing credit facility, which expires on May 31, 2012, we have signed a commitment letter which details the terms of the new facility. We expect to finalize the new credit facility in the third quarter of 2011.

(4) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is J.P. Morgan Chase, N.A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates, commodity prices or the market price of our common stock. We minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

Interest Rate Swaps

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of $25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a $25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the $25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate LIBOR component of the $25.0 million notional amount.

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of $25.0 million to hedge a portion of the cash flows of our variable rate credit facility. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a $25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the $25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the $25.0 million notional amount.

We entered into the above interest rate swaps with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income. We will reclassify any gain or loss from accumulated other comprehensive income, net of tax, on our consolidated balance sheet to interest expense on our consolidated statement of income when the interest rate swap expires or at the time we choose to terminate the swap. See note 9 for fair value discussion of these interest rate swaps.

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The following table summarizes the fair value and presentation in the condensed consolidated balance sheets for derivatives designated as hedging instruments under FASB ASC 815:

	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		June 28, 2011	**December 28, 2010**	**June 28, 2011**	**December 28, 2010**
Derivative Contracts Designated as Hedging Instruments under ASC 815	(1)				
Interest rate swaps		$	$	$ 3,288	$ 2,178
Total Derivative Contracts		$	$	$ 3,288	