2017 ANNUAL REPORT

Legendary People,
Legendary Results.

DEAR PARTNERS,

I started Texas Roadhouse with a simple dream—to open one restaurant and own my own home.

Now, thanks to the best operators in the country we are celebrating our 25 year anniversary and rockin' and rollin' with 549 restaurants system-wide in 49 states and seven countries.

But this is not like most anniversary celebrations, which involve looking back to the "good-old-days" and how things have changed since the beginning. At Texas Roadhouse, we like to celebrate what has NOT changed. In fact, if we have any secret sauce it comes down to finding what works and NOT changing it.

For example, things that have not changed since day one:

- Our Managing Partner Program—allowing our managing partners to be compensated from the profits of their restaurant means they run the restaurant like an owner and have skin in the game. Everyone wins.
- Our Legendary People—we still believe happy employees make happy guests.
- Our Legendary Food—we continue to offer in-house, hand-cut steaks, Fall-off-the-Bone ribs, and food that is made from scratch.
- Our Legendary Service—we still focus on 3-table stations, a fun atmosphere and our employee recognition programs.
- We don't chase fads but instead focus on the basics.

As Herb Kelleher, the founder of Southwest Airlines, once told me, "Dance with who brung ya. In other words, stay true to your company's Core Values."

For Texas Roadhouse those Core Values are Passion, Partnership, Integrity and Fun… with Purpose. Because of our operators' commitment to these Core Values we had another stellar year financially which included our 32nd consecutive quarter of comparable sales growth in the fourth quarter of 2017.

Highlights for 2017:

- Opened 27 company restaurants (23 Texas Roadhouse and four Bubba's 33 locations) and our franchise partners opened five restaurants, including four internationally.
- Increased revenue to approximately $2.2 billion, which was 11.5% higher than the prior year.
- Increased comparable restaurant sales by 4.5%.
- Grew diluted earnings per share by 13%.
- Paid $58.2 million in dividends.
- Ended the year with cash of $150.9 million and $52.0 million in debt.
- Expanded seating capacity in 20 restaurants and relocated one restaurant.
- Launched our mobile app nationwide, which allows guests to put their name on the wait list, place to-go orders, and pay at the table.

With the best operators in the industry we have a lot of momentum heading into 2018. We plan to open approximately 30 company restaurants, including up to seven Bubba's 33 restaurants and to add approximately six, primarily international, franchise locations, including our first restaurant in Mexico. In February 2018, we increased our quarterly dividend approximately 19% to $0.25 from $0.21 in 2017, which equates to $1.00 per share annually. We also formalized our sustainability plan in early 2018. From bees, to trees, to conservation and community outreach, our goal is to leave every community better than we found it. We have included a portion of the plan in this year's annual report and the full report can be found on our website.

No matter how many restaurants we open we will never lose our local community focus. Since day one we have encouraged our Managing Partners to be the "mayor" of their communities, both inside and outside the restaurant. We want to be part of the communities we serve, take care of our people and our guests, and volunteer in times of need. There is no greater example of this attitude than our restaurants' response to the devastating hurricanes last year.

Before the rain had stopped our employees were feeding first responders, those in area shelters and even delivering food door-to-door. In addition, on September 27, 2017, our restaurants donated 100% of their profits to The American Red Cross and many local organizations. As a result, we donated over $500,000 to those impacted by Hurricanes Harvey, Irma and Maria.

Also, we are so proud that Andy's Outreach, our internal fund created to help our employees in times of emergency, provided more than $500,000 to over 800 Roadies after the hurricanes. To date, Andy's has helped over 7,500 employees with over $10 million in distributions.

One other thing that has not changed since 1993 is our people focus. Without Legendary People, we could never serve Legendary Food or provide Legendary Service.

Paul Ashton, our current Managing Partner of the Year from Sherman, Texas, is a shining example of Legendary People. Paul is a quiet leader who raises the bar every single year in every category that can be measured. He is beloved by his staff because he leads by example. He has embraced our Core Values and epitomizes Texas Roadhouse leadership, which is why he was recently promoted to Market Partner.

Another standout is our 2016 Roadie of the Year, Mike Parker. Mike is a 13-year Roadie who manages our Enterprise Systems IT team. He always leads with character and integrity and is admired and respected by all who work with him. We are blessed to have Mike as part of our team.

It's hard to believe that we now have more than 52,000 Roadies across the nation. I want to thank you all for coming to the 'dance' with Texas Roadhouse! I am proud to be your partner.

Keep on rockin',

Kent

W. Kent Taylor
Founder & Chairman, Chief Executive Officer

April 6, 2018

To our Shareholders:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of Texas Roadhouse, Inc. on Thursday, May 17, 2018. The meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky at 9:00 a.m. eastern daylight time.

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

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

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

Sincerely,

W. Kent Taylor
Chairman, Chief Executive Officer

TEXAS ROADHOUSE, INC.
6040 Dutchmans Lane
Louisville, Kentucky 40205

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 17, 2018

To the Shareholders:

The 2018 Annual Meeting of Shareholders (the "Annual Meeting") of Texas Roadhouse, Inc. (the "Company") will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 17, 2018 at 9:00 a.m. eastern daylight time.

At the Annual Meeting, you will be asked to:

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

A Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice. Only shareholders of record at the close of business on March 19, 2018 are entitled to receive notice of and to vote at the meeting.

By Order of the Board of Directors,

Celia Catlett
General Counsel and Corporate Secretary

Louisville, Kentucky
April 6, 2018

IMPORTANT

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 17, 2018: Our Proxy Statement related to our 2018 Annual Meeting of Shareholders, our Annual Report on Form 10-K for the fiscal year ended on December 26, 2017 and our Annual Report to Shareholders for the fiscal year ended on December 26, 2017 are available on our website at *www.texasroadhouse.com* in the Investors section.

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TEXAS ROADHOUSE, INC.
6040 Dutchmans Lane
Louisville, Kentucky 40205

PROXY STATEMENT

2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 17, 2018

This proxy statement and accompanying proxy card are being furnished in connection with the solicitation of proxies by the board of directors (the "Board") of Texas Roadhouse, Inc., a Delaware corporation, to be voted at the 2018 Annual Meeting of Shareholders (the "Annual Meeting") and any adjournments thereof. In this proxy statement, references to the "Company," "we," "us" or "our" refer to Texas Roadhouse, Inc. This proxy statement and accompanying proxy card are first being mailed to shareholders on or about April 6, 2018.

The Annual Meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 17, 2018 at 9:00 a.m. eastern daylight time, for the purposes set forth in this proxy statement and the accompanying notice of Annual Meeting.

SUMMARY OF MATTERS REQUIRING SHAREHOLDER ACTION

Proposal 1—Election of Directors

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

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

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

Proposal 2—Ratification of Independent Auditors

The proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 25, 2018 must be approved by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote "FOR" or "AGAINST" the ratification, or you may "ABSTAIN" from voting on this proposal. A vote to "ABSTAIN" will have the same effect as a vote "AGAINST" this proposal.

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

Proposal 3—Advisory Vote on Approval of Executive Compensation

The outcome of the advisory vote on whether to approve the executive compensation detailed in this proxy statement (including the Compensation Discussion and Analysis, the Executive Compensation section and the other related executive compensation tables and related discussions) will be determined by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote.

You may vote "FOR" or "AGAINST" approval of the executive compensation, or you may "ABSTAIN" from voting on this proposal. A vote to "ABSTAIN" will have the same effect as a vote "AGAINST" approval of the executive compensation.

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

Other Matters

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

INFORMATION ABOUT PROXIES AND VOTING

Record Date and Voting Securities

The Board has fixed the record date (the "Record Date") for the Annual Meeting as the close of business on March 19, 2018. Only shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting and at any adjournment or postponement thereof. At the close of business on the Record Date, there were outstanding 71,412,469 shares of common stock, each of which is entitled to one vote per share on all matters to be considered at the Annual Meeting.

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

Revocability of Proxies

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

Solicitation of Proxies

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

Other Voting Considerations

Broker Non-Votes

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

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

The ratification of the appointment of the Company's independent auditors (Proposal 2) is a routine matter under the applicable rules so broker non-votes should not occur. In addition, because

this matter is routine and brokers may vote as stated above, the number of votes cast, plus the number of abstentions, on Proposal 2 will be used to establish whether a quorum is present.

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

Abstentions

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

Executed but Unmarked Proxies

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

CORPORATE GOVERNANCE AND OUR BOARD

Director Biographies

Gregory N. Moore. Mr. Moore, 68, served as the Senior Vice President and Controller of Yum! Brands, Inc. until he retired in 2005. Yum! Brands is the worldwide parent company of Taco Bell, KFC and Pizza Hut. Prior to becoming Yum! Brands' Controller, Mr. Moore was the Vice President and General Auditor of Yum! Brands. Before that, he was with PepsiCo, Inc. and held the position of Vice President, Controller of Taco Bell and Controller of PepsiCo Wines & Spirits International, a division of PepsiCola International. Before joining PepsiCo, he was an Audit Manager with Arthur Young & Company in its New York, New York and Stamford, Connecticut offices. Mr. Moore is a certified public accountant in the States of New York and California. In July 2011, Mr. Moore joined the board of Newegg, Inc., a privately held on-line retailer specializing in computer and computer-related equipment, and serves as the chair of the audit committee. Mr. Moore also serves on the board of EF&TRH Restaurants (HK) Holding Limited, a Texas Roadhouse, Inc. joint venture in China. Mr. Moore has served as a director since 2005 and was nominated as a director because of his extensive financial and accounting experience in the restaurant industry. As a result of these and other professional experiences, Mr. Moore possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

James F. Parker. Mr. Parker, 71, retired as Chief Executive Officer and Vice-Chairman of the Board of Southwest Airlines Co., a position he held from June 2001 through July 2004. Before serving at Southwest Airlines as Chief Executive Officer, Mr. Parker served as General Counsel of that company from 1986 until June 2001, and was previously a shareholder in the San Antonio, Texas law firm of Oppenheimer, Rosenberg, Kelleher and Wheatley. Mr. Parker serves as a member of the board of directors of Sammons Enterprises, Inc. and the board of directors of two wholly owned subsidiaries of Sammons Enterprises, Inc., Midland Life Insurance Company and North American Company for Life and Health Insurance, all private companies. Mr. Parker also serves as the chairman of the compensation committee for Sammons Enterprises, Inc. and on the audit committees for Sammons Enterprises, Inc., Midland Life Insurance Company and North American Company for Life and Health Insurance. Mr. Parker has served as a director since 2004 and was nominated as a director because of his chief executive experience, his knowledge of the value-based service industry and the similarity of cultures between Southwest Airlines and Texas Roadhouse. As a result of these and other professional experiences, Mr. Parker possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

W. Kent Taylor. Mr. Taylor, 62, is our founder, Chairman, and Chief Executive Officer, a position he resumed in August 2011. Mr. Taylor previously served as Chief Executive Officer from 2000 until 2004, at which time Mr. Taylor became Chairman of the Company, an executive position. Before his founding of our concept in 1993, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor was appointed to the Board of Directors of Papa John's International, Inc. in May 2011. Mr. Taylor has served as a director since 2004 and is being nominated as a director because of his chief executive experience, his knowledge of the restaurant industry and his intimate knowledge of the Company as its founder. As a result of these and other professional experiences, Mr. Taylor possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

Kathleen M. Widmer. Ms. Widmer, 56, is the President of the Johnson & Johnson Consumer OTC division, which provides healthcare solutions through well-known and trusted over the counter medicines and products, a position she has held since August 2015. She was previously with Johnson & Johnson for 21 years, until 2009, where she held numerous positions, including serving as Vice President, Marketing, McNeil Consumer Healthcare. Prior to re-joining Johnson & Johnson, she served as Executive Vice President and Chief Marketing Officer at Elizabeth Arden, Inc. from 2009 to 2015, and was responsible for the global growth strategy and marketing execution of the Elizabeth Arden Brand as well as the

company's extensive portfolio of fragrances. In 2017, she was appointed to the board of directors for the Wounded Warrior Project. She is a graduate of the U.S. Military Academy in West Point, N.Y. and served for five years as a U.S. Army officer. She held positions of increasing responsibility in the Field Artillery, reaching the rank of Captain and Battery Commander of a 400-soldier training unit in Fort Sill, Oklahoma. Ms. Widmer has served as a director since 2013 and was nominated as a director because of her extensive marketing experience in the retail sector and her knowledge of the global retail industry. As a result of these and other professional experiences, Ms. Widmer possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

James R. Zarley. Mr. Zarley, 73, has served as chairman, chief executive officer and chairman of the board of Conversant, a single-source provider of media, technology and services across major interactive marketing channels which previously operated under the name ValueClick, Inc., and was a member of Conversant's board of directors from 1999 until his retirement in 2014. Mr. Zarley shaped the company into a global leader in online marketing solutions. Prior to joining Conversant, Mr. Zarley was chief operating officer of Hiway Technologies, where he was a leading member of the management team that closed the merger with Verio in 1999. Prior to that, Mr. Zarley was chairman and chief executive officer of Best Internet until it merged with Hiway Technologies in 1998. Mr. Zarley also founded and later sold Quantech Information Services, now an ADP company. In addition, he spent 19 years at RCA in various senior management roles. Currently, he serves on the board of directors of several private companies. Mr. Zarley has served as a director since 2004 and is being nominated as a director because of his chief executive experience in a developing industry, his information technology experience and his experience in acquisitions. As a result of these and other professional experiences, Mr. Zarley possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

Board Declassification

Historically, the Board was divided into three separate classes of directors. After careful consideration and review of past votes of our shareholders on Board declassification in prior years, together with prior communications with our investors and shareholders, the Board determined that a shareholder proposal to eliminate the classification of the Board was in the best interest of the Company and its shareholders and elected to recommend that the shareholders of the Company vote to declassify the Board beginning at the 2017 annual meeting. Following receipt of the majority of votes at the 2016 annual meeting to declassify the Board, the Company memorialized the declassification of the Board in the Amendment to Amended and Restated Articles of Incorporation for the Company dated May 19, 2016. Each director will continue to serve for the remainder of their respective term until the 2019 annual meeting at which all of the directors will be eligible for re-election for one-year terms. Messrs. Taylor and Zarley are currently nominated for re-election for a term of one year. The term for each of Messrs. Moore and Parker and Ms. Widmer is scheduled to expire at the 2019 annual meeting.

Meetings of the Board

The Board met on six occasions and its standing committees (audit committee, compensation committee, and nominating and corporate governance committee) met on 24 occasions during our fiscal year ended December 26, 2017. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his or her period of service. In addition, the Company expects all members of the Board to attend the Annual Meeting. All incumbent directors attended the 2017 annual meeting. Four regular Board meetings are currently scheduled for the fiscal year 2018. Executive sessions of non-employee directors, without management directors or employees present, are typically scheduled in conjunction with each regularly scheduled Board meeting. The role of each standing committee is more fully discussed below.

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

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

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

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

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

Through the compensation committee's charter, the Board has authorized it to oversee officer and director compensation programs. The compensation committee, in fulfilling its oversight responsibilities, designs the compensation packages applicable to the executive officers and Board members. The compensation committee also consults with management on the payments of bonuses and grants of stock awards to key employees on a quarterly basis.

The audit committee and the compensation committee jointly perform an annual risk assessment of our compensation programs for all employees to determine whether these programs encourage unnecessary or excessive risk taking. In conducting this review, each of our compensation programs is evaluated on a number of criteria aimed at identifying any incentive programs that deviate from our risk

management objectives. Based on this review in 2017, both the audit committee and the compensation committee concluded that we have the right combination of rewards and incentives to drive company performance, without encouraging unnecessary or excessive risk taking by our employees. Specifically, the audit and compensation committees identified the following components of our compensation programs that mitigate the likelihood of excessive risk taking to meet performance targets: equity incentive compensation in the form of restricted stock units; long term contracts and a financial buy-in requirement for restaurant management; a guaranteed base salary within our support center management personnel; minimums and maximums on profit sharing compensation within our support center management personnel; robust internal controls; operational focus on top line sales growth; and, a business model which focuses on a strong balance sheet, relatively low debt, prudent growth, and sustainable long-term profitability.

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

Committees of the Board

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

Audit Committee. As described in its charter, the primary purpose of the audit committee is to assist our Board in fulfilling its oversight responsibility relating to: (i) the integrity of the Company's consolidated financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and performance of the Company's internal and external auditors, and (iv) the Company's internal controls and financial reporting practices. The audit committee is also directly responsible for the following: (a) pre-approving all audit and permitted non-audit services provided by our independent auditors, (b) the appointment, compensation, retention and oversight of the Company's independent auditors, and (c) periodically evaluating whether or not the Company should rotate the independent auditors utilized by the Company. The audit committee reviews all of the Company's earnings press releases and Quarterly and Annual Reports on Form 10-Q and Form 10-K, respectively, prior to filing with the Securities and Exchange Commission ("SEC"). The audit committee is also responsible for producing an annual report on its activities for inclusion in this proxy statement. All of the members of the audit committee are "independent," as that term is defined in the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the SEC. The audit committee is currently comprised of Messrs. Moore, Parker, and Zarley. Mr. Moore chairs the audit committee. The Board evaluated the credentials of and designated Mr. Moore as an audit committee financial expert. The audit committee met 15 times during fiscal year 2017.

Compensation Committee. As described in its charter, the compensation committee: (i) assists the Board in fulfilling its responsibilities relating to the design, administration and oversight of employee compensation programs and benefit plans of the Company's executive officers, (ii) discharges the Board's duties relating to the compensation of the Company's executive officers and directors, and (iii) reviews the performance of the Company's executive officers. The compensation committee is also responsible for reviewing and discussing with management the "Compensation Discussion and Analysis"

in this proxy statement and recommending its inclusion in this proxy statement to the Board. All of the members of the compensation committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The current members of the compensation committee are Ms. Widmer and Messrs. Moore, Parker, and Zarley. Mr. Parker chairs the compensation committee. The compensation committee met six times during fiscal year 2017.

Nominating and Corporate Governance Committee. As described in its charter, the nominating and corporate governance committee assists our Board in: (i) identifying individuals qualified to become Board members and recommending nominees to the Board either to be presented at the annual meeting or to fill any vacancies, (ii) considering and reporting periodically to the Board on matters relating to the identification, selection and qualification of director candidates, (iii) developing and recommending to the Board a set of corporate governance principles, and (iv) overseeing the evaluation of the Board, its committees, and its incumbent members. The nominating and corporate governance committee routinely evaluates the size and composition of the Board and the variety of professional expertise represented by the Board members in relation to the Company's business. All of the members of the nominating and corporate governance committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The current members of the nominating and corporate governance committee are Ms. Widmer and Messrs. Moore, Parker, and Zarley. Mr. Moore chairs the nominating and corporate governance committee. The nominating and corporate governance committee met three times during fiscal year 2017.

Policy Regarding Consideration of Candidates for Director

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

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

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

Compensation of Directors

As further discussed in the "Compensation Discussion and Analysis," the compensation committee engaged Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on executive and non-employee director compensation. Specifically, the compensation

committee asked the compensation consultant to provide market data, review the design of the executive and non-employee director compensation packages, and provide recommendations on cash and equity compensation for our executive officers and non-employee directors. As described more fully below, the following table summarizes the total compensation earned for fiscal year 2017 for each of the non-employee directors.

2017 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Grant Date Fair Value of Stock Awards ($)(1)	Total ($)
Gregory N. Moore	97,000(2)	—	97,000
James F. Parker	48,000(3)	—	48,000
James R. Ramsey	13,750(4)	—	13,750
Kathleen M. Widmer	31,000	—	31,000
James R. Zarley	38,000	—	38,000

(1) No stock grants or option awards were made during the period covered by this table. In November 2016, the compensation committee expressly clarified its intent that no additional stock compensation will be granted for services rendered by the non-employee directors during the three year period from 2015 through 2017. Further, in January 2018, the compensation committee agreed that beginning with the 2018 fiscal year, the total compensation for any non-employee director may not exceed $500,000, which amount shall be calculated by adding (i) the total cash compensation to be paid for services rendered by a non-employee director in any given fiscal year to (ii) the grant date value of any restricted stock units granted to such non-employee director in that fiscal year.

(2) This amount includes a $20,000 annual fee for serving as the Lead Independent director, a $20,000 annual fee for serving as the chairperson of the audit committee, and a $15,000 annual fee for serving as the international liaison.

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

(4) On May 2, 2017, James R. Ramsey, an independent director, notified the Company of his decision to withdraw his name from nomination for re-election as a director at the Company's 2017 annual meeting. This amount reflects amounts earned by Mr. Ramsey for his partial 2017 fiscal year service.

Non-employee directors each received a fee of $12,500 for their 2017 fiscal year service. In addition and for their 2017 fiscal year service, the Lead Independent director received a fee of $20,000, the chairperson of the audit committee received a fee of $20,000, the chairperson of the compensation committee received a fee of $10,000, and the international liaison received a fee of $15,000. Each non-employee director received $2,000 for each Board meeting he or she attended in person and $500 for each Board meeting he or she participated in telephonically. Additionally, each non-employee director received $1,000 for each committee meeting he or she attended in person and $500 for each committee meeting he or she participated in telephonically.

In January 2015, the non-employee directors were each granted 25,500 restricted stock units, which vest in one-third increments of 8,500 restricted stock units each year over three years, subject to the non-employee director's continued service on the Board. Similar to our compensation philosophy for our Named Executive Officers, we believe that issuing these restricted stock units to our non-employee directors aligns their interests with those of our shareholders. Specifically, since the bulk of each non-employee director's compensation lies in the value of the restricted stock units granted, the non-employee directors are motivated to continually improve the Company's performance in the hope

that the performance will be reflected by the stock price on the vesting date of their restricted stock units. Moreover, because the restricted stock unit awards for our non-employee directors vest over a period of time and their value varies in response to investor sentiment regarding overall Company performance at the time of vesting, we believe that these restricted stock unit awards drive director alignment with maximizing shareholder value.

Code of Conduct

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

Stock Ownership Guidelines

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

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

STOCK OWNERSHIP INFORMATION

The following table sets forth as of March 1, 2018 certain information with respect to the beneficial ownership of the Company's common stock of (i) each executive officer named in the Summary Compensation Table (the "Named Executive Officers"), (ii) each non-employee director or nominee for director of the Company, (iii) all non-employee directors, nominees and current Named Executive Officers as a group, and (iv) each shareholder known by the Company to be the owner of 5% or more of the Company's common stock.

	Common Stock(1)	
Name	Common Stock Ownership(2)	Percent
Directors, Nominees and Named Executive Officers:		
W. Kent Taylor(3)	3,779,473	5.29%
Scott M. Colosi	63,202	*
Celia P. Catlett	12,429	*
S. Chris Jacobsen	16,533	*
Gregory N. Moore	87,650	*
James F. Parker	92,060	*
Kathleen M. Widmer	18,950	*
James R. Zarley	136,300	*
Directors, Nominees and All Named Executive Officers as a Group (8 Persons)	4,206,597	5.89%
Other 5% Beneficial Owners**		
Capital Research Global Investors(4) 333 South Hope Street Los Angeles, California 90071	5,439,698	7.6%
Blackrock, Inc.(5) 55 East 52nd Street New York, New York 10022	7,530,702	10.6%
The Vanguard Group(6) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,376,002	7.56%

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

** This information is based on stock ownership reports on Schedule 13G filed by each of these shareholders with the SEC as of March 1, 2018.

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

(2) The following table lists the shares to which each named person has the right to acquire beneficial ownership within 60 days of March 1, 2018 through the vesting of restricted stock units granted

pursuant to our long-term incentive plan; these shares are included in the totals above as described in footnote(1):

Name	Shares which may be acquired within 60 days pursuant to stock awards
W. Kent Taylor	—
Scott M. Colosi	—
Celia P. Catlett	—
S. Chris Jacobsen	—
Gregory N. Moore	—
James F. Parker	—
Kathleen M. Widmer	—
James R. Zarley	—
Directors, Nominees and All Named Executive Officers as a Group (8 Persons)	—

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

(4) As reported on the Schedule 13G/A filed by Capital Research Group Investors with the SEC on February 14, 2018, it has sole voting and dispositive power with respect to these shares.

(5) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on February 9, 2018, it has sole voting power with respect to 7,341,960 shares and sole dispositive power with respect to 7,530,702 shares.

(6) As reported on the Schedule 13G/A filed by The Vanguard Group with the SEC on February 12, 2018, it has sole voting power with respect to 129,491 shares, sole dispositive power with respect to 5,243,560 shares, and shared dispositive power with respect to 132,442 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all reports were filed on a timely basis during the fiscal year ended December 26, 2017.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company's compensation committee reviews and establishes executive compensation in connection with each Named Executive Officer's employment agreement.

We entered into new employment agreements (individually, the "2018 Employment Agreement", and collectively, the "2018 Employment Agreements") with W. Kent Taylor, Scott M. Colosi, Celia P. Catlett, and S. Chris Jacobsen, each a Named Executive Officer, on December 26, 2017, each of which has an effective date of January 8, 2018 and expires on January 7, 2021. During fiscal year 2017, each of Messrs. Taylor and Colosi and Ms. Catlett were party to employment agreements dated January 8, 2015, each of which expired on January 7, 2018 (individually, the "2015 Employment Agreement", and collectively, the "2015 Employment Agreements"), and Mr. Jacobsen was a party to an employment agreement dated February 11, 2016, which expires on January 7, 2019 (the "2016 Employment Agreement"). Notwithstanding the initial terms and conditions of the 2016 Employment Agreement, the 2018 Employment Agreement for Mr. Jacobsen supersedes and replaces his 2016 Employment Agreement effective as of January 8, 2018. As used herein, the 2015 Employment Agreements and the 2016 Employment Agreement shall be referred to collectively as the "Prior Employment Agreements" and with respect to any Named Executive Officer, as a "Prior Employment Agreement".

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

Similar to the Prior Employment Agreements, each 2018 Employment Agreement establishes a base salary throughout the term of the agreement, and a cash incentive bonus amount based on the achievement of defined goals to be established by the compensation committee. Unlike the Prior Employment Agreements which granted restricted stock units over a three year period, each 2018 Employment Agreement for Ms. Catlett and Messrs. Colosi and Taylor provides for an annual grant of restricted stock units, which grants the officers the conditional right to receive shares of our common stock upon vesting; however, the grants to our Chief Executive Officer and our President are bifurcated into grants which vest over a period of service and grants which are based on the achievement of defined goals to be established by the compensation committee. Because Mr. Jacobsen's 2016 Employment Agreement included a grant of restricted stock units relating to his 2018 service, his 2018 Employment Agreement does not include an initial grant of restricted stock units. In addition, each of Mr. Jacobsen's and Ms. Catlett's 2018 Employment Agreements provides for a "retention" grant of restricted stock units, which vest upon completion of the term of the agreement on the condition that the officer is still serving the Company on the vesting date. Mr. Taylor's 2018 Employment Agreement also provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date. Moreover, each officer has agreed not to compete with us during the term of his or her employment and for a period of two years following his or her termination of employment, unless the officer's employment is terminated without cause following a change in control, in which case the officer has agreed not to compete with us through the date of the last payment of the officer's severance payments. Finally, the

2018 Employment Agreements also contain a "clawback" provision that enables the Company to seek reimbursement to the Company of any compensation paid to any Named Executive Officer which is required to be recovered by any law, governmental regulation or order, or stock exchange listing requirement.

The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. In addition, by conditioning a significant portion of our Chief Executive Officer's and our President's restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our executive officers more particularly described above, we have created a more direct relationship between the compensation of our top executives and shareholder value, while also achieving what we believe is the right combination of rewards and incentives to drive company performance without encouraging unnecessary or excessive risk taking. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our executive officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

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

In deciding to continue and modify many of our existing executive compensation practices, our compensation committee considered that the holders of over 83% of the votes cast at our 2017 annual meeting on an advisory basis approved the compensation of our Named Executive Officers as disclosed in the proxy statement for the 2017 annual meeting. While the compensation committee consulted with each of the Named Executive Officers in advance of the final approval of the 2018 Employment Agreements, none of the Named Executive Officers, including Mr. Taylor, participated in the creation of their own compensation packages.

Elements of Compensation

Base Salary

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

Each officer's Prior Employment Agreement established an annual salary for the years shown in the table below.

	2015 (through January 7, 2016) ($)	2016 (through January 7, 2017) ($)	2017 (through January 7, 2018) ($)
W. Kent Taylor Chairman, Chief Executive Officer	525,000	525,000	525,000
Scott M. Colosi President, Chief Financial Officer	450,000	450,000	450,000
Celia P. Catlett General Counsel, Corporate Secretary	250,000	275,000	300,000
S. Chris Jacobsen Chief Marketing Officer	—	300,000	300,000

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

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

Incentive Bonus

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

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

Under the Cash Bonus Plan, the compensation committee established a two-pronged approach to tying the incentive compensation to the Company's performance. Under this approach, 50% of the target incentive bonus is awarded based on whether the Company achieves an annual EPS growth target of 10% (the "EPS Performance Goal"). The other 50% is based on a profit sharing pool (the "Profit Sharing Pool") comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited consolidated financial statements), which pool is distributed among our Named Executive Officers and certain other members of the Company's director-level management based on a pre-determined percentage interest in the pool and subject to certain pre-determined maximum amounts. After the end of the fiscal year, the

compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Depending on the level of achievement of the EPS Performance Goal each year, 50% of the incentive bonus may be reduced to a minimum of $0 or increased to a maximum of two times the target amount. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target bonus amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the bonus payable would be 110% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the bonus payable would be 90% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. The remaining 50% of the officers' incentive bonus will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. The annual profit sharing component allows the Named Executive Officers to participate in a profit sharing pool with other members of the Company's director-level management team. By allowing this level of participation in the Company's overall profits, the compensation committee encourages responsible growth and aligns the interests of the officers with those of other management employees of the Company. This portion of the incentive bonus may be reduced to a minimum of $0 if the Company ceases to be profitable or for other reasons that the compensation committee determines, and may be increased to a maximum of two times the target amount established for each individual participant. Both portions of the incentive bonus can be adjusted downward (but not upward) by the compensation committee in its discretion. Cash incentive bonuses with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of $180,106,845 during fiscal year 2017.

The actual amounts earned by each Named Executive Officer for fiscal year 2017 are more fully described in "Executive Compensation." The target bonus amount, along with the minimum and maximum bonus amounts, are set forth below:

Executive Incentive Compensation for the Fiscal Year 2017

	Target Bonus ($)	Minimum Bonus ($)	Maximum Bonus ($)
W. Kent Taylor Chairman, Chief Executive Officer	525,000	0	1,050,000
Scott M. Colosi President, Chief Financial Officer	350,000	0	700,000
Celia P. Catlett General Counsel, Corporate Secretary	125,000	0	250,000
S. Chris Jacobsen Chief Marketing Officer	175,000	0	350,000

Stock Awards

We make equity awards in the form of restricted stock units, which represent the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements. Restricted stock units offer the Named Executive Officers a financial interest in the Company and align their interests with those of our shareholders. We also believe that the market price of our publicly traded common stock represents the most appropriate metric for determining the value of the equity portion of our Named Executive Officers' compensation packages. The overall compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent

upon the performance of the Company and the price of our common stock. The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. Because the restricted stock unit awards for our Named Executive Officers vest over a period of time and their value varies in response to investor sentiment regarding overall Company performance at the time of vesting, we believe that these service based awards are inherently performance based. By only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. The Prior Employment Agreements for Messrs. Colosi and Jacobsen and Ms. Catlett also provide for a "retention" grant of restricted stock units, which vest upon completion of the term of the agreement on the condition that the officer is still serving the Company on the vesting date. Additionally, each of Mr. Jacobsen's and Ms. Catlett's 2018 Employment Agreements provides for a "retention" grant of restricted stock units, which vest upon completion of the term of their 2018 Employment Agreement on the condition that the officer is still serving the Company on the vesting date, and Mr. Taylor's 2018 Employment Agreement provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date.

In addition, both the Prior Employment Agreements and the 2018 Employment Agreements for Messrs. Taylor and Colosi contain bifurcated awards of service based restricted stock units and performance based restricted stock units. While the 2018 Employment Agreements for Messrs. Taylor and Colosi contain an annual grant of service based restricted stock units which vest over a one year period of service (as opposed to a three year grant of service based restricted stock units that vest over a three year period in their respective Prior Employment Agreements), both the Prior Employment Agreements and the 2018 Employment Agreements contain grants of performance based restricted stock units which are based on the achievement of defined goals to be established by the compensation committee. For the performance based awards, the compensation committee has established a two-pronged approach which mirrors the approach used for annual cash incentive bonuses. Under this approach, a percentage of the target equity award is based on whether the Company achieves the annual EPS Performance Goal, and a percentage is based on the Profit Sharing Pool comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited financial statements). After the end of the fiscal year, the compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the number of shares awarded would be 110% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the award would be 90% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. The remaining percentage of the officers' equity award will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. Both portions of the performance based equity award may be reduced to a minimum of 0 or increased to a maximum of two times the target amount for each individual participant. Both portions of the performance based equity award can also be adjusted downward (but not upward) by the compensation committee in its discretion. Performance based equity awards with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of $180,106,845 during fiscal year 2017. For discussion of the percentages assigned by the compensation committee to each component of the performance based equity awards for Messrs. Taylor and Colosi, refer to the associated tables below.

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

Service Based Restricted Stock Units

The number of service based restricted stock units granted under the Prior Employment Agreements are shown in the table below. Except as noted, the grants vest in one-third increments for Messrs. Taylor and Colosi and Ms. Catlett each January 8 over a three-year period beginning on January 8, 2016 and ending on January 8, 2018, while Mr. Jacobsen's grants vest in one-third increments each January 8 over a three-year period beginning on January 8, 2017 and ending on January 8, 2019.

	Service Based Restricted Stock Units vesting on January 8, 2016 pursuant to Prior Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2017 pursuant to Prior Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2018 pursuant to Prior Employment Agreements(1)	Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to Prior Employment Agreements(2)	Total Service Based Restricted Stock Units granted pursuant to Prior Employment Agreements
W. Kent Taylor . . . . Chairman, Chief Executive Officer	15,000	15,000	15,000	—	45,000
Scott M. Colosi . . . . President, Chief Financial Officer	20,000	20,000	40,000	—	80,000
Celia P. Catlett . . . . General Counsel, Corporate Secretary	10,000	10,000	20,000	—	40,000
S. Chris Jacobsen . . . . Chief Marketing Officer	—	10,000	10,000	15,000	35,000

(1) With respect to Mr. Colosi and Ms. Catlett, this number includes a retention grant of restricted stock units which vested on January 8, 2018.

(2) With respect to Mr. Jacobsen, this number represents the grant of 10,000 restricted stock units previously granted to Mr. Jacobsen under the 2016 Employment Agreement, together with a retention grant of 5,000 restricted stock units previously granted to Mr. Jacobsen under the 2016 Employment Agreement, which will vest on January 8, 2019, provided Mr. Jacobsen is still serving the Company on the vesting date. Because Mr. Jacobsen's 2016 Employment Agreement included a grant of restricted stock units relating to his 2018 service, his 2018 Employment Agreement does not include an initial grant of restricted stock units.

Except as noted below, the number of service based restricted stock units granted under the 2018 Employment Agreements are shown in the table below.

	Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2021 pursuant to 2018 Employment Agreements(1)	Service Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2018 Employment Agreements(2)	Total Service Based Restricted Stock Units granted pursuant to 2018 Employment Agreements
W. Kent Taylor . . . . Chairman, Chief Executive Officer	10,000	—	75,000	85,000
Scott M. Colosi . . . . President, Chief Financial Officer	10,000	—	—	10,000
Celia P. Catlett . . . . General Counsel, Corporate Secretary	10,000	10,000	—	20,000
S. Chris Jacobsen . . . . Chief Marketing Officer	—	10,000	—	10,000

(1) With respect to Mr. Jacobsen and Ms. Catlett, this number represents a retention grant of restricted stock units which will vest on January 8, 2021, provided the officer is still serving the Company on the vesting date.

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

Performance Based Restricted Stock Units

The number of performance based restricted stock units granted to Messrs. Taylor and Colosi for 2017 fiscal year under their respective Prior Employment Agreement, and the number of shares of common stock which actually vested based on the Company's performance, are shown in the table below:

	Target Number of Performance Based Restricted Stock Units Granted for 2017 pursuant to Prior Employment Agreements	Minimum Number of Performance Based Restricted Stock Units pursuant to Prior Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to Prior Employment Agreements	Actual Number of Shares Issued for 2017 following Certification of 2017 Performance Goals(1)
W. Kent Taylor . . . . Chairman, Chief Executive Officer	85,000	0	170,000	114,991
Scott M. Colosi . . . . President, Chief Financial Officer	30,000	0	60,000	40,585

(1) The performance based restricted stock units attributable to the 2017 fiscal year were issued on February 15, 2018. The compensation committee determined that 50% of the performance based restricted stock unit award for the 2017 fiscal year would be based on an EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for the 2017 fiscal year would be based on a pre-tax profit target opportunity equal to

the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period.

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

	Target Number of Performance Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements(1)	Minimum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements
W. Kent Taylor	50,000	0	100,000
Scott M. Colosi	40,000	0	80,000

(1) The compensation committee determined that 50% of the performance based restricted stock unit award for 2018 would be based on an EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for 2018 would be based on a pre-tax profit target opportunity equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period. The performance based restricted stock unit award for Messrs. Taylor and Colosi with respect to fiscal year 2018 will be certified in the first quarter of 2019.

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

Separation and Change in Control Arrangements

Except in the event of a change in control, the Prior Employment Agreement with Mr. Taylor provides that no severance would be paid to him upon termination of employment, but he would be entitled to receive a gift of a crisp $100 bill if his employment were to be terminated by the Company without cause before the end of the term. Mr. Taylor's 2018 Employment Agreement contains the same provision. The Prior Employment Agreement for each of Messrs. Colosi and Jacobsen and Ms. Catlett provides that, except in the event of a change in control, if the Company terminates their employment without cause before the end of the term and the applicable executive officer signs a release of all claims against the Company, then the Company will pay a severance payment equal to any bonus for a year already ended (even if not yet paid at termination), plus the officer's base salary for a period of 180 days, and payment of a fixed sum ($175,000 for Mr. Colosi, $87,500 for Mr. Jacobsen and $62,500 for Ms. Catlett). The 2018 Employment Agreement for each of Messrs. Colosi and Jacobsen and Ms. Catlett contains the same provision, except that the fixed sum payments are the following: $175,000 for Mr. Colosi, $100,000 for Mr. Jacobsen and $92,500 for Ms. Catlett. Similar payments are due to the officers under both the Prior Employment Agreements and the 2018 Employment Agreements if employment was or is terminated by reason of death or disability before the end of the term. The Company provides these severance payments to allow for a period of transition and in exchange for a full release of claims against the Company. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the officers in periodic installments in accordance with

our normal payroll practices. The fixed sum is paid in a single lump sum, and any bonus component of the severance payments for a performance period that ended before termination is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

Both the Prior Employment Agreements and the 2018 Employment Agreements also provide that if the officer's employment is terminated other than for cause following a change in control, or if the officer resigns for good reason following a change in control because he or she is required to relocate, and the Company's successor does not agree to be bound by the agreement, or the officer's responsibilities, pay or total benefits are reduced, then in such an event each such officer will receive severance payments in an amount equal to the officer's base salary and incentive bonus through the end of the term of the agreement but not less than one year. In addition, the officer's unvested stock awards, if any, will become vested as of the date of termination. Moreover, with respect to each of the officers under their respective 2018 Employment Agreement, if his or her employment is terminated under such circumstances and the officer has not yet been granted service-based restricted stock units or performance-based restricted stock units, as applicable under the respective officer's 2018 Employment Agreements, for either or both of the second and third years of his or her employment agreement, the officer will be issued the target number of restricted stock units set forth above for each of these years, and, in the case of Mr. Jacobsen, 10,000 restricted stock units. The payments and acceleration of vesting of the stock awards are contingent upon the officer signing a full release of claims against the Company. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the officers in periodic installments in accordance with our normal payroll practices or in a lump sum at the discretion of the compensation committee and in compliance with Section 409A of the Internal Revenue Code. The bonus component of the severance payments to the officers is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

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

control will be deemed to have occurred for purposes of either an individual Prior Employment Agreement or an individual 2018 Employment Agreement by virtue of any transaction which results in the affected Named Executive Officer, or a group of persons which includes the affected Named Executive Officer, acquiring, directly or indirectly, securities representing 20% or more of the voting power of outstanding securities of the Company.

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

Compensation Committee Report

The compensation committee has reviewed and discussed the "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the compensation committee recommended to the Board that the "Compensation Discussion and Analysis" be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 26, 2017.

All members of the compensation committee concur in this report.

James F. Parker, Chair
Gregory N. Moore
Kathleen M. Widmer
James R. Zarley

Summary Compensation Table

The following table sets forth the total compensation earned with respect to the fiscal years 2017, 2016, and 2015 for Mr. Taylor, our Chairman and Chief Executive Officer, and Mr. Colosi, our President and Chief Financial Officer. It also includes such information for each of our three other most highly compensated executive officers during fiscal year 2017, as and if applicable.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Grant Date Fair Value of Stock Awards ($)(2)	Non-equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)(3)	Actual Compensation for Fiscal Year Using Vesting Date Share Price ($)(4)	Actual Compensation for Fiscal Year Using Grant Date Share Price ($)(5)(6)
W. Kent Taylor	2017	525,000	—	7,314,300	710,240	8,670	8,558,210	8,674,196(i)	6,351,301(i)
Chairman, Chief	2016	525,000	—	3,389,800	859,342	8,949	4,783,091	8,437,123(i)	6,660,634(i)
Executive Officer	2015	525,000	—	7,419,450	632,949	8,679	8,586,078	5,358,564(i)	5,388,923(i)
Scott M. Colosi	2017	450,000	200	2,709,000	473,494	8,670	3,641,364	5,538,603(ii)	3,941,694(ii)
President, Chief	2016	450,000	200	1,196,400	572,895	8,949	2,228,444	4,190,143(ii)	3,402,416(ii)
Financial Officer	2015	450,000	200	4,848,000	421,966	8,679	5,728,845	2,867,989(ii)	2,882,380(ii)
Celia P. Catlett	2017	300,000	200	1,083,600	169,105	8,670	1,561,575	1,621,175(iii)	1,173,375(iii)
General Counsel,	2016	275,000	200	—	204,605	8,949	488,754	945,754(iii)	836,454(iii)
Corporate Secretary	2015	250,000	200	1,390,800	150,702	8,679	1,800,381	754,781(iii)	757,281(iii)
S. Chris Jacobsen	2017	300,000	200	541,800	236,747	8,670	1,087,417	1,117,217(iv)	902,317(iv)
Chief Marketing Officer	2016	300,000	200	1,338,911	204,605	8,949	1,852,665	1,060,472(iv)	960,915(iv)

(1) This column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 26, 2017, December 27, 2016, and December 29, 2015.

(2) Reflects the grant date fair value computed in accordance with ASC 718 of performance based restricted stock units and service based restricted stock units granted pursuant to the Company's long term incentive plan using the closing price of the Company's common stock on the last trading day immediately preceding the grant date. These are not amounts paid to or received by the Named Executive Officers. For discussion of the valuation assumptions used in these computations, see Note 13 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017.

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

(3) With respect to Messrs. Taylor and Colosi and Ms. Catlett, amounts include the grant date fair value of the performance based restricted stock units and service based restricted stock units granted to the Named Executive Officers during the applicable year (as and if applicable). The service grants for Messrs. Taylor and Colosi and Ms. Catlett vest in one-third increments each January 8 over a three-year period beginning on January 8, 2016 and ending on January 8, 2018, subject to continued service to the Company, and the performance grants to Messrs. Taylor and Colosi vest individually over an approximately one year period, subject to certification by the compensation committee of the level of satisfaction of the performance criteria. The amount set forth in the Summary Compensation Table for the 2017 fiscal year for Mr. Taylor lists a value representing the grant date value for 75,000 restricted stock units granted under his 2018 Employment Agreement which will vest on January 8, 2023 provided Mr. Taylor is still serving the Company on the vesting date. Additionally, the amount set forth in the Summary Compensation Table for the 2015 fiscal year lists a value representing the

grant date fair value for the entirety of the performance based restricted stock units and/or service based restricted stock units (as and if applicable) granted to the Named Executive Officers, even though Messrs. Taylor and Colosi only received the value of the one-third increment of service based restricted stock units and first grant of performance based restricted stock units, and Ms. Catlett only received the value of the one-third increment of service based restricted stock units. Amounts relating to these performance based restricted stock units and service based restricted stock units are not amounts paid to or received by the Named Executive Officers during the time periods reflected in the table.

With respect to Mr. Jacobsen, the grants made during fiscal year 2016 reflect service based restricted stock units that vest in one-third increments each January 8 over a three-year period beginning on January 8, 2017 and ending on January 8, 2019, subject to Mr. Jacobsen's continued service to the Company. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" and the column titled "Total" are not amounts paid to or received by Mr. Jacobsen during fiscal year 2016.

(4) Includes salary, bonus, non-equity incentive plan compensation, all other compensation, and the estimated value at vesting of the portion of the stock awards attributable to the officer's service for the relevant fiscal year (regardless of whether granting or vesting occurred during such fiscal year). The estimated per unit value at vesting was calculated using the closing price of the Company's common stock on the last trading day immediately preceding the vesting date, as follows:

(i) for Mr. Taylor in 2017, 15,000 service based restricted stock units which vested on January 8, 2018 at $57.16, and 114,991 performance based restricted stock units which vested on January 8, 2018 at $57.16; for Mr. Taylor in 2016, 15,000 service based restricted stock units which vested on January 8, 2017 at $45.70, and 139,132 performance based restricted stock units which vested on January 8, 2017 at $45.70; and for Mr. Taylor in 2015, 15,000 service based restricted stock units which vested on January 8, 2016 at $34.52, and 106,435 performance based restricted stock units which vested on January 8, 2016 at $34.52.

(ii) for Mr. Colosi in 2017, 40,000 service based restricted stock units which vested on January 8, 2018 at $57.16, and 40,585 performance based restricted stock units which vested on January 8, 2018 at $57.16; for Mr. Colosi in 2016, 20,000 service based restricted stock units which vested on January 8, 2017 at $45.70 and 49,105 performance based restricted stock units which vested on January 8, 2017 at $45.70; and for Mr. Colosi in 2015, 20,000 service based restricted stock units which vested on January 8, 2016 at $34.52, and 37,565 performance based restricted stock units which vested on January 8, 2016 at $34.52.

(iii) for Ms. Catlett in 2017, 20,000 service based restricted stock units which vested on January 8, 2018 at $57.16; for Ms. Catlett in 2016, 10,000 service based restricted stock units which vested on January 8, 2017 at $45.70; and for Ms. Catlett in 2015, 10,000 service based restricted stock units which vested on January 8, 2016 at $34.52.

(iv) for Mr. Jacobsen in 2017, 10,000 service based restricted stock units which vested on January 8, 2018 at $57.16; and for Mr. Jacobsen in 2016, 10,000 service based restricted stock units which vested on January 8, 2017 at $45.70 and 2,125 service based restricted stock units which vested on February 26, 2017 at $42.22.

(5) Includes salary, bonus, non-equity incentive plan compensation, all other compensation, and the grant date value of the portion of the stock awards attributable to the officer's service for the relevant fiscal year (regardless of whether granting or vesting occurred during such fiscal year).

The per unit grant date value was calculated using the closing price of the Company's common stock on the last trading day immediately preceding the granting date, as follows:

(i) for Mr. Taylor in 2017, 15,000 service based restricted stock units granted on January 8, 2015 at $34.77 and 114,991 performance based restricted stock units granted on November 9, 2016 at $39.88; for Mr. Taylor in 2016, 15,000 service based restricted stock units granted on January 8, 2015 at $34.77, and 139,132 performance based restricted stock units granted on November 19, 2015 at $34.11; and for Mr. Taylor in 2015, 15,000 service based restricted stock units granted on January 8, 2015 at $34.77, and 106,435 performance based restricted stock units granted on January 8, 2015 at $34.77.

(ii) for Mr. Colosi in 2017, 40,000 service based restricted stock units granted on January 8, 2015 at $34.77 and 40,585 performance based restricted stock units granted on November 9, 2016 at $39.88; for Mr. Colosi in 2016, 20,000 service based restricted stock units granted on January 8, 2015 at $34.77 and 49,105 performance based restricted stock units granted on November 19, 2015 at $34.11; and for Mr. Colosi in 2015, 20,000 service based restricted stock units granted on January 8, 2015 at $34.77, and 37,565 performance based restricted stock units granted on January 8, 2015 at $34.77.

(iii) for Ms. Catlett in 2017, 20,000 service based restricted stock units granted on January 8, 2015 at $34.77; for Ms. Catlett in 2016, 10,000 service based restricted stock units granted on January 8, 2015 at $34.77; and for Ms. Catlett in 2015, 10,000 service based restricted stock units granted on January 8, 2015 at $34.77.

(iv) for Mr. Jacobsen in 2017, 10,000 service based restricted stock units granted on February 11, 2016 at $35.67; and for Mr. Jacobsen in 2016, 10,000 service based restricted stock units granted on February 11, 2016 at $35.67 and 2,125 service based restricted stock units granted on February 26, 2016 at $42.57.

(6) In comparing the grant date stock value and the vesting date stock value for the service based restricted stock units and/or performance based restricted stock units attributable to the applicable fiscal year for each executive officer, the difference in compensation for each executive officer is directly connected to the increase and/or decrease in the share price, which is consistent with our compensation philosophy for our executive officers (more particularly described above).

Grants of Plan-Based Awards in Fiscal Year 2017

The following table presents information with respect to grants of stock awards to the applicable Named Executive Officers during fiscal year 2017.

Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Stock and Option Awards ($)(3)
		Minimum	Target	Maximum		
W. Kent Taylor						
Service Based RSUs vesting January 8, 2019	December 26, 2017	—	—	—	10,000	541,800
Performance Based RSUs vesting January 8, 2019	December 26, 2017	0	50,000(4)	100,000	—	2,709,000
Service Based RSUS vesting January 8, 2023	December 26, 2017	—	—	—	75,000	4,063,500
Scott M. Colosi						
Service Based RSUs vesting January 8, 2019	December 26, 2017	—	—	—	10,000	541,800
Performance Based RSUs vesting January 8, 2019	December 26, 2017	0	40,000(4)	80,000	—	2,167,200
Celia Catlett						
Service Based RSUs vesting January 8, 2019	December 26, 2017	—	—	—	10,000	541,800
Service Based RSUs vesting January 8, 2021	December 26, 2017	—	—	—	10,000	541,800
S. Chris Jacobsen						
Service Based RSUs vesting January 8, 2021	December 26, 2017	—	—	—	10,000	541,800

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

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

(3) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718 of the target number of performance based units and restricted stock units granted to the Named Executive Officers using the closing price of the Company's common stock on the last trading day immediately preceding the grant date, which was $54.18. These are not amounts paid to or received by the Named Executive Officers. For discussion of the assumptions used in determining these values, see Note 13 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017.

(4) The amount represents the target award opportunity. Performance based equity awards with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of $180,106,845 during fiscal year 2017.

Outstanding Equity Awards

The following table presents information with respect to outstanding stock option awards, stock awards, and equity incentive plan awards as of December 26, 2017 by the Named Executive Officers.

Outstanding Equity Awards at Fiscal Year End Table

	Option Awards				Stock Awards		Equity Incentive Plan Awards	
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(1)**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(1)**
W. Kent Taylor . . . . Chairman, Chief Executive Officer	—	—	NA	NA	100,000(2)	5,408,000	135,000(3)	7,300,800
Scott M. Colosi . . . . President, Chief Financial Officer	—	—	NA	NA	50,000(4)	2,704,000	70,000(5)	3,785,600
Celia P. Catlett . . . . General Counsel, Corporate Secretary	—	—	NA	NA	40,000(6)	2,163,200	—	—
S. Chris Jacobsen . . . . Chief Marketing Officer	—	—	NA	NA	35,000(7)	1,892,800	—	—

(1) Market value was computed using the Company's closing stock price on December 26, 2017, the date the Company's fiscal year ended, which was $54.08.

(2) The vesting schedule is as follows: 15,000 shares on January 8, 2018, 10,000 shares on January 8, 2019 and 75,000 shares on January 8, 2023.

(3) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 85,000 shares on January 8, 2018 and 50,000 shares on January 8, 2019.

(4) The vesting schedule is as follows: 40,000 shares on January 8, 2018 and 10,000 shares on January 8, 2019.

(5) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 30,000 shares on January 8, 2018 and 40,000 shares on January 8, 2019.

(6) The vesting schedule is as follows: 20,000 shares on January 8, 2018, 10,000 shares on January 8, 2019 and 10,000 shares on January 8, 2021.

(7) The vesting schedule is as follows: 10,000 shares on January 8, 2018, 15,000 shares on January 8, 2019, and 10,000 shares on January 8, 2021.

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

Options Exercised and Stock Vested

The following table presents information with respect to stock options exercised and stock awards vested during the fiscal year ended December 26, 2017 by the Named Executive Officers.

Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
W. Kent Taylor Chairman, Chief Executive Officer	—	—	154,132	7,043,832(i)
Scott M. Colosi President, Chief Financial Officer	—	—	69,105	3,158,099(ii)
Celia P. Catlett General Counsel, Corporate Secretary	—	—	10,000	457,000(iii)
S. Chris Jacobsen Chief Marketing Officer	—	—	12,125	546,718(iv)

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

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

(i) $45.70 with respect to the 15,000 service based restricted stock units which vested on January 8, 2017, and $45.70 with respect to the 139,132 performance based restricted stock units which vested on January 8, 2017 but became reportable on February 16, 2017.

(ii) $45.70 with respect to the 20,000 service based restricted stock units which vested on January 8, 2017, and $45.70 with respect to the 49,105 performance based restricted stock units which vested on January 8, 2017 but became reportable on February 16, 2017.

(iii) $45.70 with respect to the 10,000 restricted stock units which vested on January 8, 2017.

(iv) $45.70 with respect to the 10,000 restricted stock units which vested on January 8, 2017 and 2,125 service based restricted stock units which vested on February 26, 2017 at $42.22.

Termination, Change of Control and Change of Responsibility Payments

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

If a Named Executive Officer had been terminated prior to the expiration of the term of his or her Prior Employment Agreement as a result of death or disability, such officer's beneficiary or estate would have been entitled to receive an amount equal to such officer's annual base salary then in effect through the date of termination due to death or disability, plus any earned but unpaid bonus, plus the amount of such officer's annual base salary then in effect for 180 days following the termination, plus a fixed bonus amount as follows: for Mr. Taylor, $262,500; for Mr. Colosi, $175,000; for Ms. Catlett, $62,500; and for Mr. Jacobsen, $87,500.

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

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the Prior Employment Agreements if his or her employment had been terminated without cause unrelated to a change of control on December 26, 2017, the last day of our fiscal year, provided that each officer signed a full release of all claims against us.

Termination Payments Table

Name	Estimated Cash Payments ($)(1)	Estimated Value of Newly Vested Stock Awards ($)(2)	Total ($)
W. Kent Taylor Chairman, Chief Executive Officer	100	5,408,000	5,408,100
Scott M. Colosi President, Chief Financial Officer	870,412	3,785,600	4,656,012
Celia P. Catlett General Counsel, Corporate Secretary	379,550	1,081,600	1,461,150
S. Chris Jacobsen Chief Marketing Officer	472,192	1,352,000	1,824,192

(1) Mr. Taylor is entitled to a crisp $100 bill upon the termination of his employment without cause. If the employment of Mr. Colosi had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($450,000) for 180 days, plus $175,000. If the employment of Ms. Catlett had been terminated under those circumstances, she would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of her annual base salary then in effect ($300,000) for 180 days, plus $62,500. If the employment of Mr. Jacobsen had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($300,000) for 180 days, plus $87,500.

(2) Each officer's restricted stock units would have become immediately vested upon a termination of his or her employment without cause. The amounts shown in this column represent the value of the restricted stock units outstanding under the Prior Employment Agreements at the closing price of our common stock on December 26, 2017, which was $54.08. The number of restricted stock units which would have vested on that date is shown in "Outstanding Equity Awards."

The following table lists the estimated amounts payable to a Named Executive Officer if his or her employment had been terminated without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control, on December 26, 2017, the last day of our fiscal year, provided that each officer signed a full release of claims against us.

Change in Control, Change in Responsibilities Payments Table

Name	Estimated Cash Payments ($)(1)	Estimated Value of Newly Vested Stock Awards ($)(2)	Total ($)
W. Kent Taylor Chairman, Chief Executive Officer	1,754,487	5,408,000	7,162,487
Scott M. Colosi President, Chief Financial Officer	1,268,562	3,785,600	5,054,162
Celia P. Catlett General Counsel, Corporate Secretary	590,817	1,081,600	1,672,417
S. Chris Jacobsen Chief Marketing Officer	890,857	1,352,000	2,242,857

(1) If the employment of any of the officers had been terminated without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control, the officer would have received the amount of his or her then current base salary and target incentive bonus through the end of the term of the officer's employment agreement, but not less than one year. Had an officer's employment been so terminated on December 26, 2017, each of Messrs. Colosi and Taylor and Ms. Catlett would have received payment through December 26, 2018, and Mr. Jacobsen would have received payment through January 7, 2019.

The table below details the estimated payment for each officer.

Name	Salary ($)	Bonus ($)	Total Estimated Payments ($)
W. Kent Taylor Chairman, Chief Executive Officer	519,247	1,235,240	1,754,487
Scott M. Colosi President, Chief Financial Officer	445,068	823,494	1,268,562
Celia P. Catlett General Counsel, Corporate Secretary	296,712	294,105	590,817
S. Chris Jacobsen Chief Marketing Officer	304,110	586,747	890,857

(2) Each officer's restricted stock units would have become immediately vested upon a termination of his or her employment without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control. In addition, if either or both of Messrs. Taylor and Colosi had not yet been granted performance based restricted stock units for either or both of the second or third years of his employment agreement, they would be issued the target number of units set forth in their respective Prior Employment Agreements and as more particularly identified in the Grants of Plan-Based Awards Table above for each such year. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on December 26, 2017, which was $54.08. The number of restricted stock units which would have vested on that date are shown in "Outstanding Equity Awards".

AUDIT COMMITTEE REPORT

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

The audit committee has prepared the following report on its activities and with respect to the Company's audited consolidated financial statements for the fiscal year ended December 26, 2017 (the "Audited Financial Statements").

- The audit committee met 15 times during fiscal year 2017. The audit committee's meetings included private sessions with the Company's independent auditors and internal auditors, as well as executive sessions consisting of only audit committee members. The audit committee also met periodically in private sessions with management, including Named Executive Officers (as needed);
- The audit committee reviewed the acknowledgement process for the Company's Code of Conduct, and the corresponding results;
- The audit committee reviewed the scope, plans and results of the testing performed by the Company's internal auditors and independent auditors in their assessments of internal control over financial reporting and the consolidated financial statements;
- The audit committee reviewed matters submitted to it via the Company's whistleblower hotline and/or other reporting mechanisms regarding concerns about allegedly questionable financial, accounting and/or auditing matters (if any);
- The audit committee reviewed with management, including the internal auditors and the General Counsel, and the independent auditors, the Company's practices with respect to risk assessment and risk management. The overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs were also reviewed, as well as the Company's cybersecurity controls and system standards;
- The audit committee reviewed with the General Counsel the Company's disclosures with respect to current lawsuits;
- The audit committee reviewed comment letters received from the Securities and Exchange Commission, if any, together with management's response to such letters;
- The audit committee pre-approved all audit, audit-related and permissible non-audit services provided to the Company by KPMG LLP, the Company's independent auditors for the fiscal year 2017, before management engaged the independent auditors for those purposes, pursuant to and in accordance with the Texas Roadhouse, Inc. Policy for Pre-Approval of Services Provided by External Audit Firm (which is available on the Company's website, *www.texasroadhouse.com*);
- On a quarterly basis, the audit committee discussed with KPMG LLP the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees;
- The audit committee discussed with KPMG LLP their written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the audit committee concerning independence;
- The audit committee reviewed the selection, application and disclosure of critical accounting policies;

- The audit committee reviewed the Company's earnings press releases prior to issuance;
- The audit committee reviewed and discussed the Company's Audited Financial Statements for the fiscal year 2017 with management and the independent auditors;
- The audit committee reviewed the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K prior to filing with the SEC; and
- Based on the review and discussion referred to above, and in reliance thereon, the audit committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017, for filing with the SEC.

All members of the audit committee concur in this report.

Gregory N. Moore, Chair
James F. Parker
James R. Zarley

Related Party Transactions

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

Grants of Franchise or License Rights

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

Restaurant	Name and Ownership	Initial Franchise Fee	Royalty Rate	Royalties Paid to Us in Fiscal Year 2017 ($)	Management or Supervision Fees Paid to Us in Fiscal Year 2017 ($)
Billings, MT	W. Kent Taylor (27.5%) Scott M. Colosi (2.0%)	—	4.0%	197,909	24,739
Everett, MA	W. Kent Taylor (28.75%)	—	4.0%	260,220	32,528
Fargo, ND	Scott M. Colosi (5.05%)	—	4.0%	190,316	23,540
Lexington, KY	W. Kent Taylor (5.0%)	—	2.0%	104,941	—
McKinney, TX	Scott M. Colosi (2.0%)	—	4.0%	259,071	32,384
Melbourne, FL	W. Kent Taylor (17.0%)	—	—	—	113,338
Muncie, IN	W. Kent Taylor (4.91%)	—	—	50,000	—
Omaha, NE	Scott M. Colosi (10.99%)	—	4.0%	191,384	25,253
Port Arthur, TX	W. Kent Taylor (15.0%) Scott M. Colosi (3.0%)	—	4.0%	213,113	26,639
Wichita, KS	W. Kent Taylor (24.05%) Scott M. Colosi (4.0%)	—	4.0%	336,873	41,252

For the 2017 fiscal year, the total amount of distributions received by Mr. Taylor and Mr. Colosi relating to their ownership interests in the above-referenced franchised restaurants were $1,578,407 and $160,537, respectively. These amounts do not reflect compensation paid by the Company to Mr. Taylor and/or Mr. Colosi during the 2017 fiscal year; rather, these amounts were paid by the applicable franchise entity and reflect a return on investment in these separate restaurant locations.

On March 19, 2004, we entered into a preliminary franchise agreement with a company which is 95% owned by Mr. Taylor to develop a restaurant at a location which is to be determined. The terms of the preliminary franchise agreement provide for no initial franchise fees and royalties of 3.5% of restaurant sales. During fiscal year 2017, we received no payment from this franchise restaurant, as none was due.

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

Other Related Transactions

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, of which Mr. Taylor beneficially owns 28.75% and Fargo, ND, of which Mr. Colosi owns 5.05%, before our granting franchise rights for those restaurants. We have subsequently assigned the leases to the

franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Everett lease expires in February 2023, and the Fargo lease expires in July 2021.

In 2016, Mr. Taylor loaned $300,000 to Texas Roadhouse of Billings, LLC for capital improvements, which loan was paid off on December 19, 2017. We own 5.0% of the franchise entity, Mr. Taylor beneficially owns 27.5% of the franchise entity, and Mr. Colosi beneficially owns 2.0% of the franchise entity. The loan had a maturity date of January 15, 2018 and had an interest rate of LIBOR plus 0.44%.

PRESENTATION OF PROPOSALS

PROPOSAL 1

ELECTION OF DIRECTORS

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

Nominee for Election as a Director

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

Name	Age	Position or Office	Director Since
W. Kent Taylor	62	Director; Chairman & CEO	2004
James R. Zarley	73	Director	2004

Recommendation

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

PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

As more particularly described in this proxy statement, the audit committee is directly responsible for managing the Company's independent auditors, which includes, without limitation, (i) pre-approving all audit and permitted non-audit services provided by our independent auditors, and (ii) the appointment, compensation, retention and oversight of the Company's independent auditors. In connection with the same and pursuant to its charter, the audit committee has appointed the firm of KPMG LLP to serve as the independent auditors to audit the consolidated financial statements and the internal control over financial reporting of the Company for the fiscal year which ends on December 25, 2018. The Board and the audit committee jointly agree that the continued retention of KPMG LLP is in the best interest of the Company and its shareholders. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of KPMG LLP. If the shareholders fail to ratify the appointment of KPMG LLP, the audit committee will take this result into account when appointing an independent auditor for fiscal year 2018. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm as the Company's independent auditors at any time during the year if the audit committee believes that such a change would be in the best interests of the Company and its shareholders. One or more representatives of KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Fees Paid to the Independent Auditors

We paid the following fees to KPMG LLP for fiscal years 2017 and 2016:

	2017($)	2016($)
Audit Fees	685,000	780,000
Audit-related Fees	50,664	—
Tax Fees	55,632	64,534
All Other Fees	—	24,279
	791,296	868,813

Audit Fees

KPMG LLP charged $685,000 in fiscal year 2017 and $780,000 in fiscal year 2016 for audit fees. These include professional services in connection with the audit of the Company's annual consolidated financial statements and its internal control over financial reporting. They also include reviews of the Company's consolidated financial statements included in the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years shown. Finally, the fees for fiscal years 2017 and 2016 contain $15,000 and $140,000, respectively, relating to accounting software conversions.

Audit-related Fees

KPMG LLP charged the Company $50,664 for audit-related services in fiscal year 2017. These include professional services in connection with statutory audits.

Tax Fees

KPMG LLP charged $55,632 for tax consulting services in fiscal year 2017 and $65,534 for tax consulting services in fiscal year 2016.

All Other Fees

KPMG LLP charged $24,279 for permissible non-audit services in fiscal year 2016. These include professional services in connection with the preparation and delivery of training materials on global anti-bribery and anti-corruption policies.

Pre-approval Policies and Procedures

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

Recommendation

THE BOARD RECOMMENDS A VOTE "FOR" THE RATIFICATION OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE 2018 FISCAL YEAR.

PROPOSAL 3

ADVISORY VOTE ON APPROVAL OF EXECUTIVE COMPENSATION

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

The objective of the compensation committee in setting and evaluating the compensation of our Named Executive Officers is to promote the sustained profitability of the Company. Compensation for the Named Executive Officers is divided into three key components: (1) base salary, which provides a secure base of compensation and serves to motivate and retain our Named Executive Officers; (2) a cash bonus, which rewards our Named Executive Officers for the success of the Company as measured by growth in the Company's earnings per diluted share and its overall pre-tax profit, and for each officer's individual contribution to that success; and (3) grants of restricted stock units, which offer the Named Executive Officers a financial interest in the long-term success of the Company and align their interests with those of our shareholders. The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock.

The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. In addition, by conditioning a significant portion of our Chief Executive Officer's and our President's restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our executive officers more particularly described above in this proxy statement, we have created a more direct relationship between the compensation of our top executives and shareholder value, while also achieving what we believe is the right combination of rewards and incentives to drive Company performance without encouraging unnecessary or excessive risk taking. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our executive officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

This structure, along with the culture and values of our Company, allows the Company to attract and retain top talent, while also encouraging our officers to keep their focus on both long-term business development and short-term financial growth. The Board was pleased to receive shareholder

approval of the compensation packages of our Named Executive Officers in the advisory vote at the 2017 annual meeting and again requests approval of the compensation packages of our Named Executive Officers.

Recommendation

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

SHAREHOLDER PROPOSALS

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

The Company's bylaws, a copy of which is available on the Company's website, *www.texasroadhouse.com,* require shareholders who intend to propose business for consideration by shareholders at the 2019 annual meeting, other than shareholder proposals that are included in the proxy statement, to deliver written notice to the principal executive offices of the Company on or before December 7, 2018. This notice must include a description of the business desired to be brought before the annual meeting, the name and address of the shareholder proposing such business and of the beneficial owner, if any, on whose behalf the business is being brought, the class, series and number of shares of the Company which are beneficially owned by the shareholder and such other beneficial owner and any material interest of the shareholder and such other beneficial owner in such business. Similar requirements are set forth in the Company's bylaws with respect to shareholders desiring to nominate candidates for election as director. Exchange Act rules permit management to vote proxies in its discretion in certain cases if the shareholder does not comply with these deadlines, and in certain other cases notwithstanding the shareholder's compliance with these deadlines. If a shareholder submitting a matter to be raised at the Company's next annual meeting desires that such matter be included in the Company's proxy statement for that meeting, such matter must be submitted to the Company no later than December 7, 2018.

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

SHAREHOLDERS' COMMUNICATIONS WITH THE BOARD

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

FORM 10-K

The Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017, accompanies this proxy statement. The Company's Annual Report does not form any part of the material for solicitation of proxies.

Any shareholder who wishes to obtain, without charge, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017, which includes financial statements, and is required to be filed with the SEC, may access it at *www.texasroadhouse.com* in the Investors section or may send a written request to Celia Catlett, General Counsel and Corporate Secretary, Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.

OTHER BUSINESS

The Board is not aware of any other matters to be presented at the Annual Meeting other than those set forth herein and routine matters incident to the conduct of the meeting. If any other matters should properly come before the Annual Meeting or any adjournment or postponement thereof, the

persons named in the proxy, or their substitutes, intend to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

Celia Catlett
Corporate Secretary

Louisville, Kentucky
April 6, 2018

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 26, 2017

OR

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

For the transition period from to

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware	**000-50972**	**20-1083890**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification Number)

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

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

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

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

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

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

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

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

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

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
	(Do not check if smaller reporting company)		Emerging growth company ☐

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last day of the second fiscal quarter ended June 27, 2017 was $3,390,987,770 based on the closing stock price of $50.98. Shares of voting stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The market value calculation was determined using the closing stock price of our common stock on the Nasdaq Global Select Market.

The number of shares of common stock outstanding were 71,355,927 on February 14, 2018.

Portions of the registrant's definitive Proxy Statement for the registrant's 2018 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days of the registrant's fiscal year ended December 26, 2017, are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

PART I

ITEM 1—BUSINESS

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

General Development of Business

The Company is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 549 restaurants in 49 states and seven foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown favorite for a broad segment of consumers seeking high quality, affordable meals served with friendly, attentive service. As of December 26, 2017, we owned and operated 462 restaurants and franchised an additional 70 domestic restaurants and 17 international restaurants.

Financial Information about Operating Segments

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers, and possessing similar pricing structures, resulting in similar long-term expected financial performance characteristics. Each of our 462 company restaurants is considered an operating segment.

Narrative Description of Business

Of the 462 restaurants we owned and operated at the end of 2017, we operated 440 as Texas Roadhouse restaurants and 20 as Bubba’s 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment. In 2018, we plan to open approximately 30 company restaurants. While the majority of our restaurant growth in 2018 will be Texas Roadhouse restaurants, we currently expect to open up to seven Bubba’s 33 restaurants. Throughout this report, we use the term "restaurants" to include Texas Roadhouse and Bubba’s 33, unless otherwise noted.

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

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

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

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

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

- *Focusing on dinner.* In a high percentage of our restaurants, we limit our operating hours to dinner only during the weekdays with approximately one half of our restaurants offering lunch on Friday. By focusing on dinner, our restaurant teams have to prepare for and manage only one shift per day during the week. We believe this allows our restaurant teams to offer higher quality, more consistent food and service to our guests. In addition, we believe the dinner focus provides a better "quality-of-life" for our management teams and, therefore, is a key ingredient in attracting and retaining talented and experienced management personnel.

- *Offering attractive price points.* We offer our food and beverages at moderate price points that we believe are as low as or lower than those offered by many of our competitors. Within each menu category, we offer a choice of several price points with the goal of fulfilling each guest's budget and value expectations. For example, at our Texas Roadhouse restaurants, our steak entrées, which include the choice of two side items, generally range from $9.99 to $10.99 for our 6-ounce Sirloin to $26.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2017 was $16.83. Per guest average check represents restaurant sales divided by the number of guests served. We consider each sale of an entrée to be a single guest served. Our per guest average check is higher as a result of our weekday dinner only focus. At our Bubba's 33 restaurants, our entrées range from $9.49 for our Classic Cheeseburger to $19.99 for our 16 inch Meaty Meaty pizza.

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

Unit Prototype and Economics

We design our restaurant prototypes to provide a relaxed atmosphere for our guests, while also focusing on restaurant-level returns over time. Our current prototypical Texas Roadhouse restaurants consist of a freestanding building with approximately 7,100 to 7,500 square feet of space constructed on sites of approximately 1.7 to 2.0 acres or retail pad sites, with seating of approximately 58 to 68 tables for a total of 270 to 300 guests, including 18 bar seats, and parking for approximately 160 vehicles either on-site or in combination with some form of off-site cross parking arrangement. Our current prototypes are adaptable to in-line and end-cap locations and/or spaces within an enclosed mall or a shopping center. Our prototypical Bubba's 33 restaurant remains under development as we continue to open additional restaurants. We expect most future Bubba's 33 restaurants to range between 7,100 and 7,600 square feet depending on the location with seating for approximately 270 guests.

As of December 26, 2017, we leased 322 properties and owned 140 properties. Our 2017 average unit volume for all Texas Roadhouse company restaurants open before June 28, 2016 was $5.0 million. The time required for a new Texas Roadhouse restaurant to reach a steady level of cash flow is approximately three to six months. For 2017, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the 23 Texas Roadhouse company restaurants opened during the year was approximately $5.3 million, broken down as follows:

	Average Cost	Low	High
Land(1)	$ 1,265,000	$ 750,000	$ 2,300,000
Building(2)	2,170,000	1,595,000	3,095,000
Furniture and Equipment	1,150,000	1,010,000	1,255,000
Pre-opening costs	660,000	425,000	1,165,000
Other(3)	5,000	—	75,000
Total	$ 5,250,000		

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

(2) Includes site work costs.

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

Our average capital investment for Texas Roadhouse restaurants opened in 2016 and 2015 was $5.0 million and $4.7 million, respectively. The increase in our 2017 average capital investment was primarily due to higher building costs at certain more expensive locations. We expect our average capital investment for restaurants to be opened in 2018 to be approximately $5.3 million.

Our average capital investment for the Bubba's 33 restaurants opened in 2017, 2016 and 2015 was $6.1 million, $6.5 million and $6.1 million, respectively. The decrease in our 2017 average capital investment was primarily due to lower costs associated with a smaller prototype. We expect our average capital investment for restaurants to be opened in 2018 to be approximately $6.8 million. The increase in our 2018 average capital investment is primarily due to higher costs at one urban site in New Jersey as well as higher rent and pre-opening costs. We continue to evaluate our Bubba's 33 prototype.

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

Site Selection

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

Existing Restaurant Locations

As of December 26, 2017, we had 462 company restaurants and 87 franchise restaurants in 49 states and seven foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	8	—	8
Alaska	2	—	2
Arizona	17	—	17
Arkansas	4	—	4
California	3	7	10
Colorado	15	1	16
Connecticut	5	—	5
Delaware	2	2	4
Florida	30	1	31
Georgia	7	6	13
Idaho	5	—	5
Illinois	15	—	15
Indiana	18	8	26
Iowa	9	—	9
Kansas	5	1	6
Kentucky	11	2	13
Louisiana	9	1	10
Maine	3	—	3
Maryland	7	6	13
Massachusetts	10	1	11
Michigan	14	3	17
Minnesota	4	—	4
Mississippi	3	—	3
Missouri	14	—	14
Montana	—	1	1
Nebraska	3	1	4
Nevada	1	—	1
New Hampshire	3	—	3
New Jersey	7	—	7
New Mexico	5	—	5
New York	18	—	18
North Carolina	18	—	18
North Dakota	2	1	3
Ohio	30	2	32
Oklahoma	7	—	7
Oregon	2	—	2
Pennsylvania	23	6	29
Rhode Island	3	—	3
South Carolina	2	6	8
South Dakota	2	—	2
Tennessee	13	2	15
Texas	63	5	68
Utah	9	1	10
Vermont	1	—	1
Virginia	15	—	15
Washington	1	—	1
West Virginia	2	3	5
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	462	70	532
Bahrain	—	1	1
Kuwait	—	3	3
Philippines	—	2	2
Qatar	—	2	2
Saudi Arabia	—	1	1
Taiwan	—	3	3
United Arab Emirates	—	5	5
Total international restaurants	—	17	17
Total system-wide restaurants	462	87	549

Food

Menu. Our restaurants offer a wide variety of menu items at attractive prices that are designed to appeal to a broad range of consumer tastes. At Texas Roadhouse restaurants, our dinner entrée prices generally range from $8.99 to $26.99. We offer a broad assortment of specially seasoned and aged steaks, all cooked over open grills and all but one hand-cut daily on the premises. We also offer our guests a selection of ribs, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. Entrée prices include unlimited peanuts, fresh baked yeast rolls and most include the choice of two made-from-scratch sides. Other menu items include specialty appetizers such as the "Cactus Blossom®" and "Rattlesnake Bites®". We also provide a "12 & Under" menu for children that includes a selection of smaller-sized entrées served with one side item and a beverage at prices generally between $3.99 and $8.99. At Bubba's 33 restaurants, our menu prices, excluding appetizers, generally range from $9.49 to $19.99. We offer a broad assortment of wings, sandwiches, pizzas and burgers, including our signature bacon grind patty. In addition, we also offer our guests a selection of chicken, beef and seafood. Our Bubba's 33 restaurants also offer an extensive selection of draft beer. We provide a "12 & Under" menu for children at our Bubba's 33 restaurants that includes a selection of items, including a beverage, at prices generally between $3.99 and $5.99.

Most of our restaurants feature a full bar that offers an extensive selection of draft and bottled beer, major brands of liquor and wine as well as made in-house margaritas. Managing partners are encouraged to tailor their beer selection to include regional and local brands. Alcoholic beverages at our Texas Roadhouse restaurants accounted for 10.5% of restaurant sales in fiscal 2017.

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

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

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

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

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

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

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

Service

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

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

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

People

Management Personnel. Each of our restaurants is generally staffed with one managing partner, one kitchen manager, one service manager and one or more additional assistant managers. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Kitchen managers have primary responsibility for managing operations relating to our food preparation and food quality, and service managers have primary responsibility for managing our service quality and guest experiences. The assistant managers support our kitchen and service managers; these managers are collectively responsible for the operations of the restaurant in the absence of a managing partner. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Generally, each market partner may oversee as many as 10 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant’s management team and assisting in the site selection process. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concepts, strategies and standards of quality. To further facilitate adherence to our standards of quality and to maximize uniform execution throughout the system, we employ product coaches and service coaches who regularly visit the restaurants to assist in training of both new and existing employees and to grade food and service quality. The attentive service and high quality food, which results from each restaurant having a managing partner, at least two to three managers and the hands-on assistance of a product coach and a service coach, are critical to our success.

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

Our managing and market partners are generally required to have significant experience in the full-service restaurant industry and are generally hired at a minimum of nine to 12 months before their placement in a new or

existing restaurant to allow time to fully train in all aspects of restaurant operations. All managing partners, kitchen and service managers and other management employees are required to complete an extensive training program of up to 20 weeks, which includes training for every position in the restaurant. Trainees are validated at pre-determined points during their training by a market partner, managing partner, product coach and service coach.

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

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

Marketing

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

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

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

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

Restaurant Franchise Arrangements

Franchise Restaurants. As of December 26, 2017, we had 22 franchisees that operated 87 Texas Roadhouse restaurants in 23 states and seven foreign countries. Domestically, franchise rights are granted for specific restaurants only, as we have not granted any rights to develop a territory in the United States. We are currently not accepting new domestic franchisees. Approximately 75% of our franchise restaurants are operated by nine franchisees and no franchisee operates more than 13 restaurants.

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

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

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

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

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in several foreign countries. In 2010, we entered into an agreement for the development of Texas Roadhouse restaurants in eight countries in the Middle East over a 10-year period. In 2015, we amended our agreement in the Middle East to add one additional country to the territory. In addition to the Middle East, we currently have signed franchise and/or development agreements for the development of Texas Roadhouse restaurants in Taiwan, the Philippines, Mexico, China and South Korea. We currently have 12 restaurants open in five countries in the Middle East, three restaurants open in Taiwan and two in the Philippines for a total of 17 restaurants in seven foreign countries. For the existing international agreements, the franchisee is required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. The term of the agreements may be extended. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

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

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

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

Information Technology

All of our company restaurants utilize computerized management information systems, which are designed to improve operating efficiencies, provide restaurant and Support Center management with timely access to financial and operating data and reduce administrative time and expense. With our current information systems, we have the ability to

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

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

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

Competition

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

Trademarks

Our registered trademarks and service marks include, among others, our trade names and our logo and proprietary rights related to certain core menu offerings. We have registered all of our significant marks for our restaurants with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in 47 foreign jurisdictions including the European Union. To better protect our brand, we have also registered various Internet domain names. We believe that our trademarks, service marks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts.

Government Regulation

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

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

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans-fat, salt and allergen content. Several states and local jurisdictions have adopted or are considering various food and menu nutritional labeling requirements, many of which are inconsistent or are interpreted differently from one jurisdiction to another and many of which may be superseded by the new federal regulations under the Patient Protection and Affordable Care Act of 2010 ("PPACA") which are scheduled to go into effect on May 7, 2018. However, future regulatory action is expected as a result of the current political environment which may result in changes to the federal nutritional disclosure requirements.

In 2017, the sale of alcoholic beverages accounted for 10.5% of our Texas Roadhouse restaurant sales. In order to serve alcoholic beverages in our restaurants, we must comply with alcoholic beverage control regulations which require each of our restaurants to apply to a state authority, and, in certain locations, county or municipal authorities, for a license or permit to sell alcoholic beverages on the premises. These licenses or permits must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations affect numerous aspects of restaurant operations, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. State and local authorities in many jurisdictions routinely monitor compliance with alcoholic beverage laws. The failure of a restaurant to obtain or retain these licenses or permits would have a material adverse effect on the restaurant’s operations. We are also subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Consistent with industry standards, we carry liquor liability coverage as part of our existing comprehensive general liability insurance as well as excess umbrella coverage.

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

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

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

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

Seasonality

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

Employees

As of December 26, 2017, we employed approximately 56,300 people in the company restaurants we own and operate and our corporate Support Center. This amount includes 588 executive and administrative personnel and 2,160 restaurant management personnel, while the remainder were hourly restaurant personnel. Many of our hourly restaurant employees work part-time. None of our employees are covered by a collective bargaining agreement.

Executive Officers of the Company

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

Name	Age	Position
W. Kent Taylor	62	Chairman and Chief Executive Officer
Scott M. Colosi	53	President and Chief Financial Officer
Celia P. Catlett.	41	General Counsel and Corporate Secretary
S. Chris Jacobsen	52	Chief Marketing Officer

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

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

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

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

Website Access to Reports

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, available, free of charge on or through the Internet website, www.texasroadhouse.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

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

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

Risks Related to our Growth and Operating Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The development of new restaurant concepts may not be as successful as our experience in the development of the Texas Roadhouse concept domestically. In May 2013, we launched a new concept, Bubba's 33, a family-friendly, sports restaurant, which currently has lower brand awareness and less operating experience than most Texas Roadhouse restaurants and a higher initial investment cost. As a result, the development of the Bubba's 33 concept may not contribute to our average unit volume growth and/or profitability in a meaningful way. As of December 26, 2017, we have expanded the concept to 20 restaurants and expect to open up to seven additional locations in 2018. However, we can provide no assurance that new units will be accepted in the markets targeted for the expansion of this concept or that we will be able to achieve our targeted returns when opening new locations. In the future, we may determine not to move forward with any further expansion of Bubba's 33 or other concepts. These decisions could limit our overall long-term growth. Additionally, expansion of Bubba's 33 or other concepts might divert our management's attention from other business concerns and could have an adverse impact on our core Texas Roadhouse business.

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

As of December 26, 2017, our operations include 17 Texas Roadhouse franchise restaurants in seven countries outside the United States, and we expect to have further international expansion in the future. The entrance into international markets may not be as successful as our experience in the development of the Texas Roadhouse concept domestically or any success we have had in international restaurants. In addition, operating in international markets may require significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations involve risks that could adversely affect our business, including:

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

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

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

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

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

suitable acquisition or development candidates, negotiate acceptable acquisition or development terms and obtain appropriate financing.

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

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

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

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

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

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

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

As of December 26, 2017, we operated a total of 63 company restaurants in Texas. As a result, we are particularly susceptible to adverse trends and economic conditions in this state, including its labor market. In addition, given our geographic concentration in this state, negative publicity regarding any of our restaurants in Texas could have a material adverse effect on our business and operations, as could other occurrences in Texas such as local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, fires or other natural disasters.

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

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

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

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

- the timing of new restaurant openings and related expenses;

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

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

- profitability of our restaurants, particularly in new markets;

- changes in interest rates;

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

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

Risks Related to the Restaurant Industry

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

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

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

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

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

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

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

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

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

During 2018 and beyond, the U.S. and global economies could suffer from a downturn in economic activity. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could adversely affect the demand for our products. As in the past, we could experience reduced guest traffic or we may be unable or unwilling to increase the prices we can charge for our products to offset higher costs or fewer transactions, either of which could reduce our sales and profit margins. Also, landlords or other tenants in the shopping centers in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could in turn negatively affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our business, results of operations, financial condition or liquidity.

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

The restaurant industry is intensely competitive. We compete with many well-established food service companies on the basis of taste, quality and price of products offered, guest service, atmosphere, location, take-out and delivery options and overall guest experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from the supermarket industry which offers "convenient" meals in the form of improved entrées and side dishes from the deli section. In addition, improving product

offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing and the casual dining segment of the restaurant industry better than we can. As our competitors expand their operations, we expect competition to intensify. We also compete with other restaurant chains and other retail establishments for quality site locations and employees.

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

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

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

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

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality and food safety, including food-borne illnesses. In addition, consumer preferences may be impacted by current and future menu-labeling requirements. A number of jurisdictions around the U.S. have adopted regulations requiring that chain restaurants include calorie information on their menu boards or make other nutritional information available. Nation-wide nutrition disclosure requirements included in the U.S. health care reform law are scheduled to go into effect as of May 7, 2018. However future regulatory action is expected as a result of the current political environment which may result in changes to the nutrition disclosure requirements. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general. The labeling requirements and any negative publicity concerning any of the food products we serve may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the labeling requirements or negative publicity by changing our concept or our menu offerings or their ingredients, we may lose guests who do not prefer the new concept or products, and we may not be able to attract sufficient new guests to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended guests as a result of a change in our concept and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

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

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

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

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

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

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

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

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

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

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

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

The nature of our business involves the receipt and storage of information about our guests and employees. Hardware, software or other applications we develop and procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems and facilities through fraud, trickery or other forms of deceiving our employees or vendors. In addition, we accept electronic payment cards for payment in our restaurants. During 2017, approximately 78% of our transactions were by credit or debit cards, and such card usage could increase. Other retailers have

experienced actual or potential security breaches in which credit and debit card along with employee information may have been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of alleged theft of guest and/or employee information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses in excess of our insurance coverage, which could have a material adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations may result in material adverse revenue consequences for us and our restaurants.

On October 1, 2015, the payment card industry began to shift liability for certain transactions to retailers who are not able to accept Europay, Mastercard, and Visa ("EMV") chip card transactions. We are still assessing the impact of the implementation of EMV. Until the implementation of EMV chip card technology is completed by us, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to higher transaction fees, which could have an adverse effect on our business, financial condition and cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

Our operating results could also be affected by the following:

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

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

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

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

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

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

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

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

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

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

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

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

If we lose the services of any of our key management personnel, our business could suffer.

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

Our franchisees could take actions that could harm our business.

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

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

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

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

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

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

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

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

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

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

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Properties

Our Support Center is located in Louisville, Kentucky. We occupy this facility under leases with Paragon Centre Holdings, LLC, a limited liability company in which we have a minority ownership position. As of December 26, 2017, we leased 100,546 square feet. Our leases expire December 31, 2030 including all applicable extensions. Of the 462 company restaurants in operation as of December 26, 2017, we owned 140 locations and leased 322 locations, as shown in the following table.

State	Owned	Leased	Total
Alabama	3	5	8
Alaska	—	2	2
Arizona	6	11	17
Arkansas	—	4	4
California	1	2	3
Colorado	7	8	15
Connecticut	—	5	5
Delaware	1	1	2
Florida	7	23	30
Georgia	3	4	7
Idaho	1	4	5
Illinois	2	13	15
Indiana	12	6	18
Iowa	2	7	9
Kansas	2	3	5
Kentucky	4	7	11
Louisiana	2	7	9
Maine	—	3	3
Maryland	—	7	7
Massachusetts	1	9	10
Michigan	3	11	14
Minnesota	1	3	4
Mississippi	1	2	3
Missouri	2	12	14
Nebraska	1	2	3
Nevada	—	1	1
New Hampshire	2	1	3
New Jersey	—	7	7
New Mexico	1	4	5
New York	3	15	18
North Carolina	5	13	18
North Dakota	—	2	2
Ohio	12	18	30
Oklahoma	2	5	7
Oregon	—	2	2
Pennsylvania	3	20	23
Rhode Island	—	3	3
South Carolina	—	2	2
South Dakota	1	1	2
Tennessee	—	13	13
Texas	36	27	63
Utah	—	9	9
Vermont	—	1	1
Virginia	6	9	15
Washington	—	1	1
West Virginia	1	1	2
Wisconsin	4	6	10
Wyoming	2	—	2
Total	140	322	462

Additional information concerning our properties and leasing arrangements is included in note 2(p) and note 7 to the Consolidated Financial Statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 3—LEGAL PROCEEDINGS

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

ITEM 4—MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol TXRH. Dividend information and the quarterly high and low sales prices of our common stock by quarter were as follows:

	High	Low	Dividends Declared
Year ended December 26, 2017			
First Quarter	$ 49.69	$ 40.28	$ 0.21
Second Quarter	$ 51.91	$ 43.59	$ 0.21
Third Quarter	$ 51.74	$ 44.29	$ 0.21
Fourth Quarter	$ 55.99	$ 47.70	$ 0.21
Year ended December 27, 2016			
First Quarter	$ 43.76	$ 33.80	$ 0.19
Second Quarter	$ 46.81	$ 40.51	$ 0.19
Third Quarter	$ 49.00	$ 40.32	$ 0.19
Fourth Quarter	$ 50.51	$ 37.23	$ 0.19

The number of holders of record of our common stock as of February 14, 2018 was 213.

On February 16, 2018, our Board of Directors authorized the payment of a cash dividend of $0.25 per share of common stock. This payment will be distributed on March 29, 2018, to shareholders of record at the close of business on March 14, 2018. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

Unregistered Sales of Equity Securities

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

Issuer Repurchases of Securities

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. For the 52 weeks ended December 26, 2017, we did not repurchase any shares of common stock. As of December 26, 2017, we had approximately $69.9 million remaining under our authorized repurchase program. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

Since commencing our repurchase program in 2008, we have repurchased a total of 14,844,851 shares of common stock at a total cost of $216.6 million through December 26, 2017 under authorizations from our Board of Directors.

Stock Performance Graph

The following graph sets forth cumulative total return experienced by holders of the Company's common stock compared to the cumulative total return of the Russell 3000 Restaurant Index and the Russell 3000 Index for the five year period ended December 26, 2017, the last trading day of our fiscal year. The graph assumes the values of the investment in our common stock and each index was $100 on December 25, 2012 and the reinvestment of all dividends paid during the period of the securities comprising the indices.

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

Comparison of Cumulative Total Return Since December 25, 2012
Among Texas Roadhouse, Inc., the Russell 3000 Index and the Russell 3000 Restaurant Index

	12/25/2012	12/31/2013	12/30/2014	12/29/2015	12/27/2016	12/26/2017
Texas Roadhouse, Inc.	$ 100.00	$ 165.28	$ 200.83	$ 214.39	$ 294.65	$ 339.83
Russell 3000	$ 100.00	$ 130.98	$ 146.09	$ 144.94	$ 159.51	$ 191.62
Russell 3000 Restaurant	$ 100.00	$ 126.73	$ 132.96	$ 157.26	$ 163.51	$ 194.51

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data as of and for the years 2017, 2016, 2015, 2014 and 2013 from our audited consolidated financial statements.

The Company utilizes a 52 or 53 week accounting period that typically ends on the last Tuesday in December. The Company utilizes a 13 or 14 week accounting period for quarterly reporting purposes. Fiscal year 2013 was 53 weeks in length while fiscal years 2017, 2016, 2015 and 2014 were 52 weeks in length. Our historical results are not necessarily indicative of our results for any future period.

	Fiscal Year				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Consolidated Statements of Income:					
Revenue:					
Restaurant sales	$ 2,203,017	$ 1,974,261	$ 1,791,446	$ 1,568,556	$ 1,410,118
Franchise royalties and fees	16,514	16,453	15,922	13,592	12,467
Total revenue	2,219,531	1,990,714	1,807,368	1,582,148	1,422,585
Income from operations	186,206	171,900	144,565	130,449	119,715
Income before taxes	186,117	171,756	144,247	129,967	118,227
Provision for income taxes	48,581	51,183	42,986	38,990	34,140
Net income including noncontrolling interests	$ 137,536	$ 120,573	$ 101,261	$ 90,977	$ 84,087
Less: Net income attributable to noncontrolling interests	6,010	4,975	4,367	3,955	3,664
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 131,526	$ 115,598	$ 96,894	$ 87,022	$ 80,423
Net income per common share:					
Basic	$ 1.85	$ 1.64	$ 1.38	$ 1.25	$ 1.15
Diluted	$ 1.84	$ 1.63	$ 1.37	$ 1.23	$ 1.13
Weighted average shares outstanding(1):					
Basic	70,989	70,396	70,032	69,719	70,089
Diluted	71,527	71,052	70,747	70,608	71,362
Cash dividends declared per share	$ 0.84	$ 0.76	$ 0.68	$ 0.60	$ 0.48

	Fiscal Year				
	2017	2016	2015	2014	2013
			($ in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 150,918	$ 112,944	$ 59,334	$ 86,122	$ 94,874
Total assets	1,330,623	1,179,971	1,032,706	943,142	877,644
Long-term debt and obligations under capital leases, net of current maturities	51,981	52,381	25,550	50,693	50,990
Total liabilities	479,232	421,729	355,524	328,186	283,784
Noncontrolling interests	12,312	8,016	7,520	7,064	6,201
Texas Roadhouse, Inc. and subsidiaries stockholders' equity(2)	$ 839,079	$ 750,226	$ 669,662	$ 607,892	$ 587,659
Selected Operating Data (unaudited):					
Restaurants:					
Company-Texas Roadhouse	440	413	392	368	345
Company-Bubba's 33	20	16	7	3	1
Company-Other	2	2	2	1	—
Franchise - Domestic	70	73	72	70	70
Franchise - International	17	13	10	9	4
Total	549	517	483	451	420
Company restaurant information:					
Store weeks	23,274	21,583	20,020	18,565	17,426
Comparable restaurant sales growth(3)	4.5 %	3.5 %	7.2 %	4.7 %	3.4 %
Texas Roadhouse restaurants only:					
Comparable restaurant sales growth(3)	4.5 %	3.6 %	7.2 %	4.7 %	3.4 %
Average unit volume(4)	$ 4,973	$ 4,805	$ 4,664	$ 4,355	$ 4,186
Net cash provided by operating activities	$ 286,373	$ 257,065	$ 227,941	$ 191,713	$ 173,836
Net cash used in investing activities	$ (178,156)	$ (164,738)	$ (173,203)	$ (124,240)	$ (111,248)
Net cash used in financing activities	$ (70,243)	$ (38,717)	$ (81,526)	$ (76,225)	$ (49,460)

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

(2) See note 10 to the Consolidated Financial Statements.

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

(4) Average unit volume represents the average annual restaurant sales from Texas Roadhouse company restaurants open for a full six months before the beginning of the period measured, excluding sales from restaurants closed during the period. Although 2013 contained 53 weeks, for comparative purposes, 2013 average unit volume was adjusted to a 52 week basis. Additionally, average unit volume of company restaurants for 2016, 2014 and 2013 in the table above was adjusted to reflect the restaurant sales of any acquired franchise restaurants.

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

The discussion and analysis below for the Company should be read in conjunction with the consolidated financial statements and the notes to such financial statements (pages F-1 to F-26), "Forward-looking Statements" (page 3) and Risk Factors set forth in Item 1A.

Our Company

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 549 restaurants in 49 states and seven foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown destination for a broad segment of consumers seeking high-quality, affordable meals served with friendly, attentive service. As of December 26, 2017, our 549 restaurants included:

- 462 "company restaurants," of which 444 were wholly-owned and 18 were majority-owned. The results of operations of company restaurants are included in our consolidated statements of income and comprehensive income. The portion of income attributable to noncontrolling interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our consolidated statements of income and comprehensive income. Of the 462 restaurants we owned and operated at the end of 2017, we operated 440 as Texas Roadhouse restaurants and operated 20 as Bubba's 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment.

- 87 "franchise restaurants," 24 of which we have a 5.0% to 10.0% ownership interest. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity income from investments in unconsolidated affiliates" in our consolidated statements of income and comprehensive income. Additionally, we provide various management services to these 24 franchise restaurants, as well as six additional franchise restaurants in which we have no ownership interest. All of the franchise restaurants operated as Texas Roadhouse restaurants. Of the 87 franchise restaurants, 70 are domestic restaurants and 17 are international restaurants.

We have contractual arrangements which grant us the right to acquire at pre-determined formulas (i) the remaining equity interests in 16 of the 18 majority-owned company restaurants and (ii) 67 of the domestic franchise restaurants.

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

Presentation of Financial and Operating Data

We operate on a fiscal year that typically ends on the last Tuesday in December. Fiscal years 2017, 2016 and 2015 were 52 weeks in length, while the quarters for those years were 13 weeks in length.

Long-term Strategies to Grow Earnings Per Share

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

Expanding Our Restaurant Base. We will continue to evaluate opportunities to develop restaurants in existing markets and in new domestic and international markets. Domestically, we will remain focused primarily on markets where we believe a significant demand for our restaurants exists because of population size, income levels and the presence of shopping and entertainment centers and a significant employment base. 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 2017, we opened 27 company restaurants while our franchise partners opened five restaurants. We currently plan to open approximately 30 company restaurants in 2018 including up to seven Bubba's 33 restaurants. In addition,

we anticipate our existing franchise partners will open as many as six, primarily international, Texas Roadhouse restaurants in 2018.

Our average capital investment for the 23 Texas Roadhouse restaurants opened during 2017, including pre-opening expenses and a capitalized rent factor, was $5.3 million. We expect our average capital investment for Texas Roadhouse restaurants opening in 2018 to be approximately $5.3 million. For 2017, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the four Bubba's 33 restaurants opened during the year was $6.1 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2018 to be approximately $6.8 million. The increase in our 2018 average capital investment for our Bubba's 33 restaurants is primarily due to higher costs at one urban site in New Jersey as well as higher rent and pre-opening costs. We continue to evaluate our Bubba's 33 prototype.

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

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in several foreign countries. In 2010, we entered into an agreement for the development of Texas Roadhouse restaurants in eight countries in the Middle East over a 10-year period. In 2015, we amended our agreement in the Middle East to add one additional country to the territory. In addition to the Middle East, we currently have signed franchise and/or development agreements for the development of Texas Roadhouse restaurants in Taiwan, the Philippines, Mexico, China and South Korea. We currently have 12 restaurants open in five countries in the Middle East, three restaurants open in Taiwan and two in the Philippines for a total of 17 restaurants in seven foreign countries. For the existing international agreements, the franchisee is required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. The term of the agreements may be extended. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Maintaining and/or Improving Restaurant Level Profitability. We plan to maintain, or possibly increase, restaurant level profitability (restaurant margin) through a combination of increased comparable restaurant sales and operating cost management. Restaurant margin is not a U.S. generally accepted accounting principle ("GAAP") measure and should not be considered in isolation, or as an alternative from income from operations. See further discussion of restaurant margin below. In general, we continue to balance the impacts of inflationary pressures with our value positioning as we remain focused on our long-term success. This may create a challenge in terms of maintaining and/or increasing restaurant margin, as a percentage of restaurant sales, in any given year, depending on the level of inflation we experience. In addition to restaurant margin, as a percentage of restaurant sales, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant level-profitability. In terms of driving higher guest traffic counts, 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 in certain restaurants.

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

Returning Capital to Shareholders. We continue to pay dividends and evaluate opportunities to return capital to our shareholders through repurchases of common stock. In 2011, our Board of Directors declared our first quarterly dividend of $0.08 per share of common stock. We have consistently grown our per share dividend each year since that time and our long-term strategy includes increasing our regular quarterly dividend amount over time. On February 16,

2018, our Board of Directors declared a quarterly dividend of $0.25 per share of common stock. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

In 2008, our Board of Directors approved our first stock repurchase program. Since then, we have paid $216.6 million through our authorized stock repurchase programs to repurchase 14,844,851 shares of our common stock at an average price per share of $14.59. On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date have been made through open market transactions. As of December 26, 2017, $69.9 million remains authorized for repurchase.

Key Operating Personnel

Key management personnel who have a significant impact on the performance of our restaurants include kitchen managers, service managers, assistant managers, managing partners and market partners. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Kitchen managers have primary responsibility for managing operations relating to our food preparation and food quality, and service managers have primary responsibility for managing our service quality and guest experiences. The assistant managers support our kitchen and service managers; these managers are collectively responsible for the operations of the restaurant in the absence of a managing partner. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Generally, each market partner may oversee as many as 10 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant's management team and assist in the site selection process for new restaurants. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concepts, strategies and standards of quality.

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

Key Measures We Use To Evaluate Our Company

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

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

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

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

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

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

Other Key Definitions

Restaurant Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts, for all company restaurants. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the consolidated statements of income and comprehensive income.

Franchise Royalties and Fees. Franchise royalties consist of royalties, as defined in our franchise agreement, paid to us by our domestic and international franchisees. Domestic and/or international franchisees also typically pay an initial franchise fee and/or development fee for each new restaurant or territory. The terms of the international agreements may vary significantly from our domestic agreements.

Restaurant Cost of Sales. Restaurant cost of sales consists of food and beverage costs of which as much as 50% relates to beef costs.

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

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

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

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

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

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

General and Administrative Expenses. General and administrative expenses ("G&A") are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth including advertising costs incurred less amounts remitted by franchise restaurants. Supervision and accounting fees received from certain franchise restaurants are offset against G&A. G&A also includes share-based compensation expense related to executive officers, support center employees and area managers, including market partners and the realized and unrealized holding gains and losses related to the investments in our deferred compensation plan, as well as offsetting compensation expense.

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

Equity Income from Unconsolidated Affiliates. As of December 26, 2017, December 27, 2016 and December 29, 2015, we owned a 5.0% to 10.0% equity interest in 24 franchise restaurants. Additionally, as of December 26, 2017, December 27, 2016 and December 29, 2015, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. Equity income from unconsolidated affiliates represents our percentage share of net income earned by these unconsolidated affiliates.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned restaurants. Our consolidated subsidiaries at December 26, 2017 included 18 majority-owned restaurants, all of which were open. At December 27, 2016 and December 29, 2015, our consolidated subsidiaries included 16 majority-owned restaurants, all of which were open.

2017 Financial Highlights

Total revenue increased $228.8 million or 11.5% to $2.2 billion in 2017 compared to $2.0 billion in 2016 primarily due to the opening of new restaurants combined with an increase in average unit volume driven by comparable restaurant sales growth. Store weeks and comparable restaurant sales increased 7.8% and 4.5%, respectively, at company restaurants in 2017.

Restaurant margin increased $37.5 million to $406.4 million in 2017 from $368.9 million in 2016 while restaurant margin, as a percentage of restaurant sales, decreased 24 basis points to 18.4% in 2017 compared to 18.7% in 2016. The decrease in restaurant margin, as a percentage of sales, was primarily due to higher labor costs as a result of higher average wage rates, current staffing initiatives, and a change in our compensation structure. Higher labor costs were partially offset by commodity deflation of approximately 2.4% driven by lower food costs, primarily beef.

Net income increased $15.9 million or 13.8% to $131.5 million in 2017 compared to $115.6 million in 2016 primarily due to the increase in restaurant margin partially offset by higher G&A and depreciation costs. G&A costs in 2017 included a pre-tax charge of $14.9 million ($9.2 million after-tax) related to the settlement of a legal matter. The impact of the legal charge was partially offset by a pre-tax charge recorded in 2016 of $7.3 million ($4.5 million after-tax) related to a separate legal matter. Our income tax rate decreased to 26.1% from 29.8% in the prior year primarily due to the impact of new tax legislation, which resulted in a $6.5 million reduction in income tax expense. Diluted earnings per share increased 13.0% to $1.84 from $1.63 in the prior year.

	Results of Operations					
	Fiscal Year					
	2017		2016		2015	
	$	%	$	%	$	%
	(In thousands)					
Consolidated Statements of Income:						
Revenue:						
Restaurant sales	2,203,017	99.3	1,974,261	99.2	1,791,446	99.1
Franchise royalties and fees	16,514	0.7	16,453	0.8	15,922	0.9
Total revenue	2,219,531	100.0	1,990,714	100.0	1,807,368	100.0
Costs and expenses:						
(As a percentage of restaurant sales)						
Restaurant operating costs (excluding depreciation and amortization shown separately below):						
Cost of sales	721,550	32.8	669,203	33.9	644,001	35.9
Labor	687,545	31.2	590,256	29.9	524,203	29.3
Rent	44,807	2.0	40,580	2.1	37,183	2.1
Other operating	342,702	15.6	305,290	15.5	275,296	15.4
(As a percentage of total revenue)						
Pre-opening	19,274	0.9	19,547	1.0	19,116	1.1
Depreciation and amortization	93,499	4.2	82,964	4.2	69,694	3.9
Impairment and closure	654	NM	179	NM	974	0.1
General and administrative	123,294	5.6	110,795	5.6	92,336	5.1
Total costs and expenses	2,033,325	91.6	1,818,814	91.4	1,662,803	92.0
Income from operations	186,206	8.4	171,900	8.6	144,565	8.0
Interest expense, net	1,577	0.1	1,255	0.1	1,959	0.1
Equity income from investments in unconsolidated affiliates	(1,488)	(0.1)	(1,111)	(0.1)	(1,641)	(0.1)
Income before taxes	186,117	8.4	171,756	8.6	144,247	8.0
Provision for income taxes	48,581	2.2	51,183	2.6	42,986	2.4
Net income including noncontrolling interests	137,536	6.2	120,573	6.1	101,261	5.6
Net income attributable to noncontrolling interests	6,010	0.3	4,975	0.2	4,367	0.2
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	131,526	5.9	115,598	5.8	96,894	5.4

NM – Not meaningful

	Reconciliation of Income from Operations to Restaurant Margin		
	Fiscal Year		
	2017	2016	2015
Income from operations	$ 186,206	$ 171,900	$ 144,565
Less:			
Franchise royalties and fees	16,514	16,453	15,922
Add:			
Pre-opening	19,274	19,547	19,116
Depreciation and amortization	93,499	82,964	69,694
Impairment and closure	654	179	974
General and administrative	123,294	110,795	92,336
Restaurant margin	$ 406,413	$ 368,932	$ 310,763
Restaurant margin $/store week	$ 17,462	$ 17,094	$ 15,523
Restaurant margin *(as a percentage of restaurant sales)*	18.4%	18.7%	17.3%

Restaurant Unit Activity

	Total	Texas Roadhouse	Bubba's 33	Other
Balance at December 30, 2014	451	447	3	1
Company openings	29	24	4	1
Franchise openings - Domestic	2	2	—	—
Franchise openings - International	1	1	—	—
Balance at December 29, 2015	483	474	7	2
Company openings	30	21	9	—
Franchise openings - Domestic	1	1	—	—
Franchise openings - International	3	3	—	—
Balance at December 27, 2016	517	499	16	2
Company openings	27	23	4	—
Franchise openings - Domestic	1	1	—	—
Franchise openings - International	4	4	—	—
Balance at December 26, 2017	549	527	20	2

Restaurant Sales

Restaurant sales increased by 11.6% in 2017 compared to 2016 and increased 10.2% in 2016 compared to 2015. The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods presented. Company restaurant count activity is shown in the restaurant unit activity table above.

	2017	2016	2015
Company Restaurants:			
Increase in store weeks	7.8 %	7.8 %	7.8 %
Increase in average unit volume	3.5	3.0	7.2
Other(1)	0.3	(0.6)	(0.8)
Total increase in restaurant sales	11.6 %	10.2 %	14.2 %
Store weeks	23,274	21,583	20,020
Comparable restaurant sales growth	4.5 %	3.5 %	7.2 %
Texas Roadhouse restaurants only:			
Comparable restaurant sales growth	4.5 %	3.6 %	7.2 %
Average unit volume (in thousands)	$ 4,973	$ 4,805	$ 4,664
Weekly sales by group:			
Comparable restaurants (380, 358 and 330 units, respectively)	96,572	92,875	89,729
Average unit volume restaurants (27, 18 and 28 units, respectively)(2)	82,526	81,743	89,182
Restaurants less than six months old (33, 37 and 34 units for each period)	92,208	87,059	90,742

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

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

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

	2017	2016	2015
Guest traffic counts	3.6 %	2.1 %	5.4 %
Per person average check	0.9 %	1.4 %	1.8 %
Comparable restaurant sales growth	4.5 %	3.5 %	7.2 %

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

	Menu Price Increases
Q4 2017	0.3%
Q2 2017	0.5%
Q4 2016	1.0%
Q4 2015	2.0%
Q4 2014	1.8%

In all periods presented, average guest check did not increase in line with the menu price increases implemented as guests shifted to lower menu price items and/or purchased fewer beverages.

In 2018, we plan to open approximately 30 company restaurants. While the majority of our restaurant growth in 2018 will be Texas Roadhouse restaurants, we currently expect to open up to seven Bubba's 33 restaurants. We have either begun construction or have sites under contract for purchase or lease for 29 of our expected 2018 openings. In March 2018, we expect to implement a menu price increase of approximately 0.8%.

Franchise Royalties and Fees

Franchise royalties and fees increased $0.1 million or 0.4% in 2017 compared to 2016 and increased $0.5 million or 3.3% in 2016 compared to 2015. The increases in both periods were attributed to an increase in average unit volume at domestic restaurants, driven by comparable restaurant sales growth, and the opening of new franchise restaurants. For 2017, the increase was partially offset by the loss of royalties associated with the acquisition of four franchise restaurants in Q1 2017. For both 2017 and 2016, the increases were partially offset by a decrease in average unit volume at international restaurants, driven by a decrease in comparable restaurant sales at those locations. In 2017, franchise comparable restaurant sales increased 2.9% which included an increase in domestic franchise comparable restaurant sales of 4.2%. In 2016, franchise comparable restaurant sales increased 2.0% which included an increase in domestic franchise comparable restaurant sales of 3.3%. Franchise restaurant count activity is shown in the restaurant unit activity table above.

We anticipate our existing franchise partners will open as many as six, primarily international, Texas Roadhouse restaurants in 2018.

Restaurant Cost of Sales

Restaurant cost of sales, as a percentage of restaurant sales, decreased to 32.8% in 2017 from 33.9% in 2016 and from 35.9% in 2015. These decreases in 2017 and 2016 were primarily attributed to commodity deflation and menu pricing actions. Operating efficiencies also contributed to the decrease in 2016. Commodity deflation of approximately 2.4% and 3.8% in 2017 and 2016, respectively, was driven by lower food costs, primarily beef. Recent menu pricing actions are summarized in our discussion of restaurant sales above.

For 2018, we expect commodity costs to be relatively flat with fixed price contracts for approximately 45% of our overall food costs and the remainder subject to fluctuating market prices.

Restaurant Labor Expenses

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

In 2016, the Department of Labor published changes related to the Fair Labor Standards Act ("FLSA") which would have resulted in changes to the threshold for overtime pay. The changes were scheduled to go into effect on December 1, 2016, however, in late November 2016 a federal judge blocked the implementation of the changes. Despite the injunction, we continued with the implementation of changes to our overtime policies as originally planned.

Restaurant labor expense, as a percentage of restaurant sales, increased to 29.9% in 2016 compared to 29.3% in 2015. The increase was primarily attributed to higher average wage rates and higher costs related to incentive bonus compensation, partially offset by the benefit from an increase in average unit volume.

In 2018, we anticipate our labor costs will be pressured by mid-single digit inflation due to increases in state-mandated minimum and tipped wage rates, ongoing labor market pressures and current staffing initiatives. These increases may or may not be offset by additional menu price adjustments or guest traffic growth.

Restaurant Rent Expense

Restaurant rent expense, as a percentage of restaurant sales, remained relatively unchanged at 2.0% in 2017 compared to 2.1% in both 2016 and 2015. In all periods presented, the benefit from an increase in average unit volume was offset by an increase in rent expense, as a percentage of restaurant sales, related to newer restaurants.

Restaurant Other Operating Expenses

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

Restaurant other operating expenses, as a percentage of restaurant sales, increased to 15.5% in 2016 from 15.4% in 2015. This increase was primarily attributed to higher third party gift card fees and higher costs related to incentive compensation partially offset by an increase in average unit volume and lower costs associated with utilities. Higher third party gift card fees were primarily due to the continued growth of our third-party gift card program while improved restaurant margins led to higher bonus expense. Utility costs were lower primarily due to lower electricity and natural gas rates.

Restaurant Pre-opening Expenses

Pre-opening expenses in 2017 decreased to $19.3 million from $19.5 million in 2016. In 2016, pre-opening expenses increased to $19.5 million from $19.1 million in 2015. These changes are primarily due to the number of restaurant openings in a given year and the timing of restaurant openings. In 2017, we opened 27 company restaurants compared to 30 company restaurants in 2016 and 29 restaurants in 2015. Pre-opening costs will fluctuate from period to period based on the specific pre-opening costs incurred for each restaurant, the number and timing of restaurant openings and the number and timing of restaurant managers hired.

Depreciation and Amortization Expenses ("D&A")

D&A, as a percentage of revenue, remained unchanged at 4.2% in 2017 compared to 2016. In 2016, D&A, as a percentage of revenue, increased to 4.2% from 3.9% in 2015. In all periods presented, the increase in D&A is primarily due to increased investment in short-lived assets, such as equipment at existing restaurants, and higher depreciation, as a percentage of revenue, at new restaurants, offset by an increase in average unit volume.

Impairment and Closure Costs

Impairment and closure costs were $0.7 million, $0.2 million and $1.0 million in 2017, 2016 and 2015, respectively. In 2017, we recorded $0.7 million of closure costs primarily related to the relocation of one restaurant. In 2016 and 2015, we recorded $0.2 million and $1.0 million, respectively, of closure costs related to the relocation of three restaurants. See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2017, 2016 and 2015.

General and Administrative Expenses ("G&A")

G&A, as a percentage of total revenue, remained flat at 5.6% in 2017 compared to 2016. The benefit from an increase in average unit volume and lower incentive and shared-based compensation was offset by a pre-tax charge of $14.9 million ($9.2 million after-tax), or $0.13 per diluted share, related to legal fees and the settlement of a legal matter. The impact of the legal charge was partially offset by a pre-tax charge recorded in 2016 of $7.3 million ($4.5 million after-tax) or $0.06 per diluted share, related to a separate legal matter.

G&A, as a percentage of total revenue, increased to 5.6% in 2016 from 5.1% in 2015. This increase was primarily attributed to a pre-tax charge of $7.3 million ($4.5 million after-tax) related to the settlement of a legal matter, along with higher costs associated with incentive compensation expense partially offset by an increase in average unit volume. The $7.3 million charge had a $0.06 impact on diluted earnings per share in 2016.

We are currently subject to various claims and contingencies that arise from time to time in the ordinary course of business, including those related to litigation, business transactions, employee-related matters and taxes, among others. See note 12 to the Consolidated Financial Statements for further discussion of these matters.

Interest Expense, Net

Net interest expense increased to $1.6 million in 2017 compared to $1.3 million in 2016. Net interest expense decreased to $1.3 million in 2016 compared to $2.0 million in 2015. The increase in 2017 was primarily due to higher interest rates while the decrease in 2016 was primarily due to the expiration of our interest rate swaps. See note 16 to the Consolidated Financial Statements for further discussion of interest rate swaps.

Income Taxes

Our effective tax rate decreased to 26.1% in 2017 compared to 29.8% in 2016 primarily due to the adoption of Accounting Standards Update 2016-09, *Compensation – Stock Compensation* and new tax legislation that was enacted in late 2017. As a result of the new guidance requirements, excess tax benefits and tax deficiencies from share-based compensation are recognized within the income tax provision. During 2017, we recognized $3.4 million, or $0.05 per share, as an income tax benefit related to the new guidance requirements. As a result of the new tax legislation, significant tax changes were enacted including a reduction of the federal corporate tax rate from 35.0% to 21.0% and changes in the federal taxes paid on foreign sourced earnings. These changes are generally effective beginning with our fiscal year 2018. During 2017, we recognized $3.1 million, or $0.04 per share, as an income tax benefit related to the new tax legislation which includes an income tax benefit of approximately $3.8 million to revalue our deferred tax balances as of the enactment date and an income tax expense of approximately $0.7 million related to our foreign operations. This amount could be impacted as interpretations of the new tax legislation change. See note 8 for a reconciliation of the statutory federal income tax rate to our effective tax rate. For 2018, we expect the effective tax rate to be 15.0% to 16.0%.

Our effective tax rate remained unchanged at 29.8% in 2016 compared to 2015 primarily due to the benefit of lower state income tax rates which were offset by lower FICA tip credits as a percentage of pre-tax income.

Liquidity and Capital Resources

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

	Fiscal Year		
	2017	2016	2015
Net cash provided by operating activities	$ 286,373	$ 257,065	$ 227,941
Net cash used in investing activities	(178,156)	(164,738)	(173,203)
Net cash used in financing activities	(70,243)	(38,717)	(81,526)
Net increase (decrease) in cash and cash equivalents	$ 37,974	$ 53,610	$ (26,788)

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

Net cash provided by operating activities was $257.1 million in 2016 compared to $227.9 million in 2015. The increase was primarily due to an increase in net income and non-cash items such as depreciation and amortization expense partially offset by a decrease in working capital. The increase in net income was primarily driven by an increase in comparable restaurant sales at existing restaurants, the continued opening of new restaurants and lower commodity costs, primarily beef. The decrease in working capital was primarily due to a decrease in cash flows related to a change in the timing of payments for accrued wages along with accounts payable partially offset by deferred revenue related to gift cards due to higher gift card sales.

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 $178.2 million in 2017 compared to $164.7 million in 2016. The increase was primarily due to the acquisition of four franchise restaurants in Q1 2017 for an aggregate purchase price of $16.5 million.

Net cash used in investing activities was $164.7 million in 2016 compared to $173.2 million in 2015. The decrease was primarily due to lower spending related to new restaurant openings in future years partially offset by higher average capitalized costs in 2016. Capital expenditures in 2016 related to restaurant openings in future years was approximately $22.6 million compared to approximately $35.3 million in 2015.

We require capital principally for the development of new company restaurants, the refurbishment of existing restaurants and the acquisition of franchise restaurants, if any. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land when appropriate. As of December 26, 2017, 140 of the 462 company restaurants have been developed on land which we own.

The following table presents a summary of capital expenditures related to the development of new restaurants and the refurbishment of existing restaurants (in thousands):

	2017	2016	2015
New company restaurants	$ 109,626	$ 107,518	$ 117,283
Refurbishment of existing restaurants(1)	52,002	57,220	56,192
Total capital expenditures	$ 161,628	$ 164,738	$ 173,475
Restaurant-related repairs and maintenance expense(2)	$ 25,819	$ 22,368	$ 20,607

(1) Includes capital expenditures related to support center office.

(2) These amounts were recorded as an expense as incurred.

Our future capital requirements will primarily depend on the number of new restaurants we open, the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In 2018, we expect our capital expenditures to be approximately $165.0 million to $175.0 million, the majority of which will relate to planned restaurant openings, including approximately 30 restaurant openings in 2018. This amount excludes any cash used for franchise acquisitions. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities and, if needed, funds available under our amended credit facility. For 2018, we anticipate net cash provided by operating activities will exceed capital expenditures, which we currently plan to use to pay dividends, as approved by our Board of Directors, repurchase common stock, and/or repay borrowings under our amended credit facility.

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

Net cash used in financing activities was $38.7 million in 2016 compared to $81.5 million in 2015. The decrease was primarily due to an increase in borrowings on our amended revolving credit facility partially offset by higher dividend payments and lower proceeds from stock option exercises in 2016.

On May 22, 2014, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. During 2017, we made no share repurchases and had $69.9 million remaining under our authorized stock repurchase program as of December 26, 2017.

We paid cash dividends of $58.2 million in 2017. On December 6, 2017, our Board of Directors authorized the payment of a regular quarterly cash dividend of $0.21 per share of common stock to shareholders of record at the close of business on December 13, 2017. This payment was distributed on December 29, 2017. On February 16, 2018, our Board of Directors authorized the payment of a quarterly cash dividend of $0.25 per share of common stock. This payment will be distributed on March 29, 2018 to shareholders of record at the close of business on March 14, 2018. The increase in the dividend per share amount reflects the increase in our regular annual dividend rate from $0.84 per share in 2017 to $1.00 per share in 2018. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

We paid distributions of $5.2 million to equity holders of all of our 18 majority-owned company restaurants in 2017 YTD. In 2016, we paid distributions of $4.5 million to equity holders of all of our 16 majority-owned restaurants.

On August 7, 2017, we entered into the Amended and Restated Credit Agreement (the "Amended Credit Agreement") with respect to our revolving credit facility with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo Bank, N.A. The amended revolving credit facility remains an

unsecured, revolving credit agreement under which we may borrow up to $200.0 million with the option to increase the amended revolving credit facility by an additional $200.0 million subject to certain limitations. The Amended Credit Agreement extends the maturity date of our revolving credit facility until August 5, 2022.

The terms of the Amended Credit Agreement require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875% and to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our consolidated net leverage ratio, or the Alternate Base Rate, which is the highest of the issuing banks' prime lending rate, the Federal Reserve Bank of New York rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. The weighted-average interest rate for the amended revolving credit facility at December 26, 2017 and December 27, 2016 was 2.37% and 1.57%, respectively, including the impact of the interest rate swap which expired on January 7, 2016. At December 26, 2017, we had $50.0 million outstanding under our amended revolving credit facility and $142.5 million of availability, net of $7.5 million of outstanding letters of credit.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The Amended Credit Agreement permits us to incur additional secured or unsecured indebtedness outside the amended revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate is equal to or greater than $125.0 million and 20% of our consolidated tangible net worth. We were in compliance with all financial covenants as of December 26, 2017.

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 26, 2017 (in thousands):

	Payments Due by Period				
	Total	**Less than 1 year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**
Long-term debt obligations	$ 51,990	$ 9	23	50,031	1,927
Interest(1)	11,054	1,407	2,851	2,474	4,322
Operating lease obligations	850,004	45,911	91,289	91,480	621,324
Capital obligations	149,997	149,997	—	—	—
Total contractual obligations(2)	$ 1,063,045	$ 197,324	$ 94,163	$ 143,985	$ 627,573

(1) Uses interest rates as of December 26, 2017 for our variable rate debt. We assumed $50.0 million remains outstanding on the amended revolving credit facility until the expiration date. We calculated interest payments by using the weighted average interest rate of 2.37%, which was the interest rate associated with our amended revolving credit facility at December 26, 2017.

(2) Excluded from this amount are certain immaterial items including unrecognized tax benefits under Accounting Standards Codification ("ASC") 740 and the one-time transition tax on foreign earnings required under the new tax legislation.

We have no material minimum purchase commitments with our vendors that extend beyond a year. See notes 4 and 7 to the Consolidated Financial Statements for details of contractual obligations.

Off-Balance Sheet Arrangements

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

Guarantees

As of December 26, 2017 and December 27, 2016, we are contingently liable for $15.6 million and $16.4 million, respectively, for seven leases, listed in the table below. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 26, 2017 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

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

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

(2) As discussed in note 18, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

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

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

Recent Accounting Pronouncements

Revenue Recognition
(Accounting Standards Update 2014-09, "ASU 2014-09")

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for fiscal years beginning on or after December 15, 2017 (our 2018 fiscal year), including interim periods within those annual periods, with early adoption permitted in the first quarter of 2017. The standard permits the use of either the full retrospective or cumulative-effect transition method. In March and April 2016, the FASB issued the following amendments to clarify the implementation guidance: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* and ASU No. 2016-10*, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. Additionally, on December 21, 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which provides disclosure relief and clarifies the scope and application of the new revenue standard and related cost guidance. The standard will not impact our recognition of sales from company restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. Under this standard, initial franchise fees and upfront fees from international development agreements will be recognized over the term of the applicable franchise agreements. We currently recognize initial franchise fees when the related services have been provided, which is generally upon the opening of the restaurant, and upfront fees on a pro-rata basis as restaurants under the development agreement are opened. In addition, certain transactions that were previously recorded as a reduction of expense will be classified as revenue. These include breakage income from our gift card program which is currently recognized as a reduction of other operating expense and accounting fees, supervision fees and advertising contributions received from our franchisees which are currently recognized as a reduction of general and administrative expense. We continue to evaluate the standard’s impact on the classification of certain transactions including discounts on third party gift card sales. We expect to use the cumulative-effect method of adoption and do not believe this adoption will have a material impact on our consolidated balance sheets and the related

statements of income and comprehensive income, stockholders' equity, and cash flows and the related notes, or a material effect on our internal control over financial reporting.

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

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases. This update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (our 2019 fiscal year). Early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements.

We had operating leases with remaining rental payments of approximately $850.0 million as of December 26, 2017. The discounted minimum remaining rental payments will be the starting point for determining the right-of-use asset and lease liability. While we are still in the process of assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows, we expect the adoption of this standard will have a material impact on our consolidated balance sheets due to the recognition of the right-of-use asset and lease liability related to operating leases. While the new standard is also expected to impact the measurement and presentation of elements of expenses and cash flows related to leasing arrangements, we do not presently believe there will be a material impact on our consolidated statements of income and comprehensive income or our consolidated statement of cash flows.

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

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

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which adds and/or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 (our 2018 fiscal year) and interim periods within those annual periods. We do not expect the adoption of this guidance will have a material impact on our consolidated financial position, results of operations or cash flows.

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

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740)*, which addresses the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will require recognition of current and deferred income taxes resulting from an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for annual and interim periods beginning after December 15, 2017 (our 2018 fiscal year). We do not expect the adoption of this guidance will have a material impact on our consolidated financial position, results of operations or cash flows.

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

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Text for Goodwill Impairment,* which simplifies the accounting for goodwill impairment and is expected to reduce the

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

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

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when a change in the terms or conditions of a share-based payment award must be accounted for as a modification. ASU 2017-09 requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change in the terms and conditions of the award. ASU 2017-09 is effective for annual and interim periods beginning after December 15, 2017 (our 2018 fiscal year). We do not expect the adoption of this guidance will have a material impact on our consolidated financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

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

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

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

At December 26, 2017, we had nine restaurants whose trailing 12-month cash flows did not meet the $300,000 threshold. However, the future undiscounted cash flows from operating each of these restaurants over their remaining estimated useful lives exceeded their respective remaining carrying values and no assets were determined to be impaired.

See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2017, 2016 and 2015, including the impairments of goodwill and other long-lived assets.

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

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

At December 26, 2017, we had 69 reporting units, primarily at the restaurant level, with allocated goodwill of $121.0 million. The average amount of goodwill associated with each reporting unit is $1.8 million with six reporting units having goodwill in excess of $4.0 million. We did not record any impairment charges as a result of our annual impairment analysis in 2017. We are not currently monitoring any restaurants for potential impairment. Since we determine the fair value of goodwill at the restaurant level, any significant decreases in cash flows at these restaurants or others could trigger an impairment charge in the future. The fair value of each of our reporting units was substantially in excess of their respective carrying values as of the 2017 goodwill impairment test. See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2017, 2016 and 2015, including the impairments of goodwill and other long-lived assets.

Income Taxes. Deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

An uncertain tax position taken or expected to be taken in a tax return is recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

Effects of Inflation

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

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt. The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the highest of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. At December 26, 2017, we had $50.0 million outstanding under the amended revolving credit facility, which bears interest at approximately 87.5 to 187.5 basis points (depending on our leverage ratios) over LIBOR. Should interest rates based on these variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by $0.5 million.

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

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

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

See Index to Consolidated Financial Statements at Item 15.

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

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in, Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of our management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 26, 2017.

Changes in internal control

During the fourth quarter of 2017, there were no changes with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report. In this assessment, the Company applied criteria based on the "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 26, 2017.

KPMG LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in the Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of December 26, 2017 as stated in their report at F-2.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors is incorporated herein by reference to the information set forth under "Election of Directors" in our Definitive Proxy Statement to be dated approximately April 6, 2018.

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

Information regarding our corporate governance is incorporated herein by reference to the information set forth in our Definitive Proxy Statement to be dated approximately April 6, 2018.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 6, 2018.

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

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 6, 2018.

Equity Compensation Plans

As of December 26, 2017, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. See note 13 to the Consolidated Financial Statements for a description of the plans.

Plan Category	Shares to Be Issued Upon Vest Date	Shares Available for Future Grants
Plans approved by stockholders(1)	1,154,991	4,077,534
Plans not approved by stockholders	—	—
Total	1,154,991	4,077,534

(1) See note 13 to the Consolidated Financial Statements.

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

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 6, 2018.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from our Definitive Proxy Statement to be dated approximately April 6, 2018.

PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

Description	Page Number in Report
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 26, 2017 and December 27, 2016	F-4
Consolidated Statements of Income and Comprehensive Income for the years ended December 26, 2017, December 27, 2016 and December 29, 2015	F-5
Consolidated Statements of Stockholders' Equity for the years ended December 26, 2017, December 27, 2016 and December 29, 2015	F-6
Consolidated Statements of Cash Flows for the years ended December 26, 2017, December 27, 2016 and December 29, 2015	F-7
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2. Financial Statement Schedules

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

3. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 28, 2016)(File No. 000-50972)
3.2	Bylaws of Registrant (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
4.1	Registration Rights Agreement, dated as of May 7, 2004, among Registrant and others (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.1*	Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Registrant (File No. 333-121241))
10.2	Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.3	Form of Limited Partnership Agreement and Operating Agreement for certain company-managed Texas Roadhouse restaurants, including schedule of the owners of such restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to such an agreement (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.6	Form of Franchise Agreement and Preliminary Agreement for a Texas Roadhouse restaurant franchise, including schedule of directors, executive officers and 5% stockholders which have entered into either agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.7	Schedule of the owners of company-managed Texas Roadhouse restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to Limited Partnership Agreements and Operating Agreements as of December 26, 2017 the form of which is set forth in Exhibit 10.3 of this Form 10-K
10.8	Schedule of the directors, executive officers and 5% stockholders which have entered into Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Franchise as of December 26, 2017 the form of which is set forth in Exhibit 10.6 of this Form 10-K
10.11	Amended and Restated Lease Agreement (Two Paragon Centre) dated January 1, 2006 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.17 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2006) (File No. 000-50972)

Exhibit No.	Description
10.12	First Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated December 18, 2006 between Paragon Centre Holdings LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 26, 2006) (File No. 000-50972)
10.13	Second Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated May 10, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2007) (File No. 000-50972)
10.14	Third Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated September 7, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2007) (File No. 000-50972)
10.15	Fourth Amendment dated July 22, 2009, and Fifth Amendment dated November 15, 2013, to Amended and Restated Lease Agreement (Two Paragon Centre) between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.16*	Form of Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 of Registrant's Annual Report on Form 10-K for the year ended December 25, 2007 (File No. 000-50972))
10.17*	Form of First Amendment to Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan with non-management directors (incorporated by reference to Exhibit 10.20 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.18*	Amendment to Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.19*	Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from Appendix A to the Texas Roadhouse, Inc. Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 5, 2013 (File No. 000-50972))
10.20*	Form of Restricted Stock Unit Award under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.21*	Texas Roadhouse, Inc. Cash Bonus Plan for cash incentive awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.22*	Employment Agreement between the Registrant and W. Kent Taylor, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.23*	Employment Agreement between the Registrant and Scott M. Colosi, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.24*	Employment Agreement between the Registrant and Celia Catlett, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.25*	Employment Agreement between the Registrant and W. Kent Taylor entered into as of December 26, 2017
10.26*	Employment Agreement between the Registrant and Scott M. Colosi entered into as of December 26, 2017
10.27*	Employment Agreement between the Registrant and Celia Catlett entered into as of December 26, 2017
10.28*	Employment Agreement between the Registrant and S. Chris Jacobsen entered into as of December 26, 2017
10.29*	Form of Performance Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))

Exhibit No.	Description
10.30*	Amended and Restated Form of Restricted Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for officers (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.31*	Amended and Restated Form of Restricted Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for non-officers (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.32*	Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended December 19, 2007 and December 31, 2008 (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.33*	Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., effective January 1, 2010 (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.34	Lease Agreement dated December 11, 2012 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.35	First Amendment to Lease Agreement dated January 10, 2013 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.36	Second Amendment to Lease Agreement dated February 11, 2015 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.37	Third Amendment to Lease Agreement dated January 26, 2016 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.38*	Employment agreement between the Registrant and S. Chris Jacobsen, entered into as of February 11, 2016 (incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.39*	Form of Nonqualified Stock Option Agreement under Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.40	Fourth Amendment to Lease Agreement dated January 13, 2017 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2016 (File No. 000-50972))
10.41	Fifth Amendment to Lease Agreement dated November 2, 2017 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC
10.42	Consent Decree dated March 31, 2017, among Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp. and the EEOC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 31, 2017 (File No. 000-50972))
10.43	Amended and Restated Credit Agreement dated as of August 7, 2017, by and among Texas Roadhouse Inc., and the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated August 7, 2017 (File No. 000-50972))
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
101	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 26, 2017, filed February 23, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

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

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

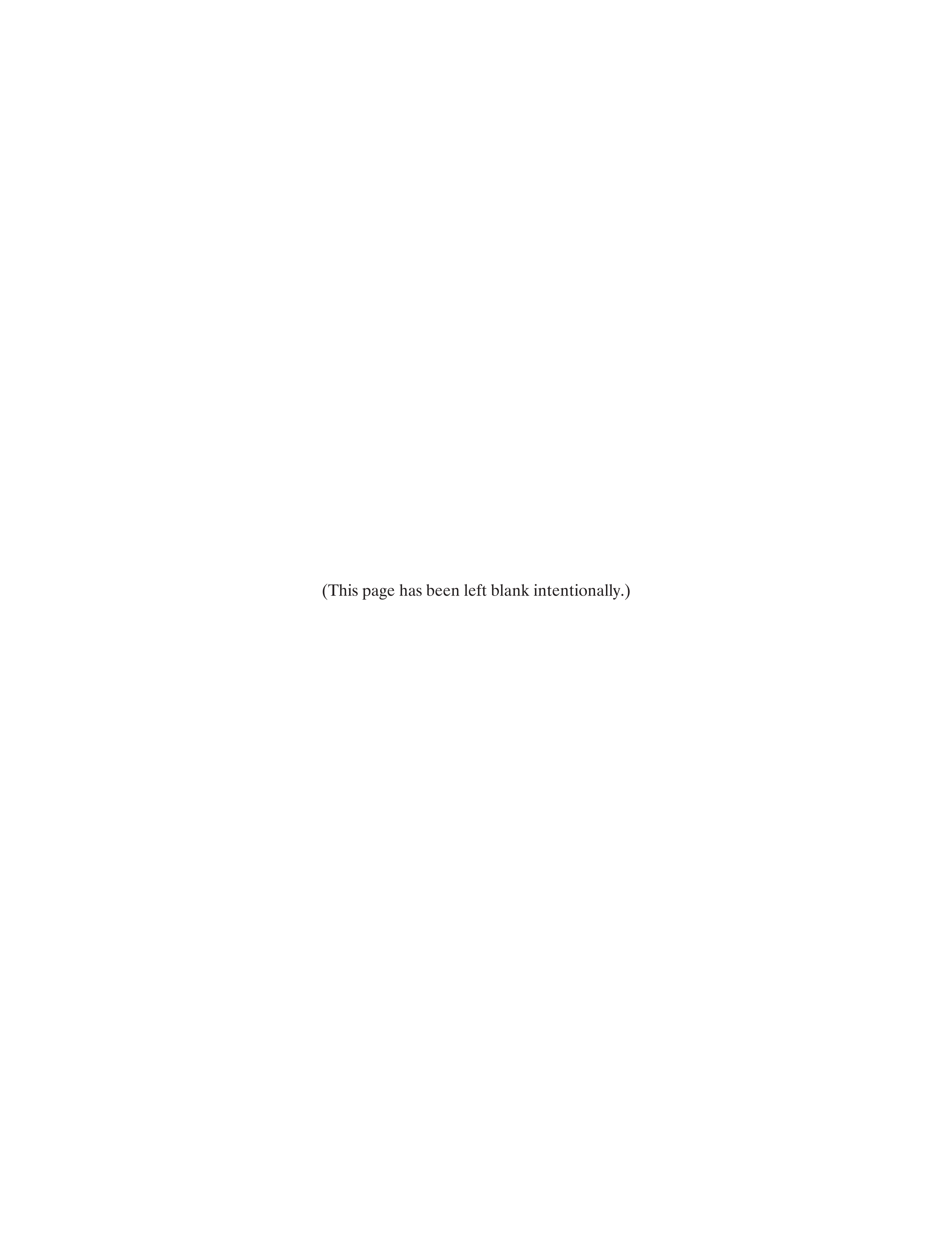
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS ROADHOUSE, INC.

By: /s/ W. KENT TAYLOR
W. Kent Taylor
Chairman of the Company, Chief Executive Officer, Director
Date: February 23, 2018

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

Signature	Title	Date
/s/ W. KENT TAYLOR W. Kent Taylor	Chairman of the Company, Chief Executive Officer, Director (Principal Executive Officer)	February 23, 2018
/s/ SCOTT M. COLOSI Scott M. Colosi	President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 23, 2018
/s/ GREGORY N. MOORE Gregory N. Moore	Director	February 23, 2018
/s/ JAMES F. PARKER James F. Parker	Director	February 23, 2018
/s/ KATHY WIDMER Kathy Widmer	Director	February 23, 2018
/s/ JAMES R. ZARLEY James R. Zarley	Director	February 23, 2018



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Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries (the "Company") as of December 26, 2017 and December 27, 2016, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 26, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2017 and December 27, 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 26, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 26, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

/s/ KPMG LLP

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

Louisville, Kentucky
February 23, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Texas Roadhouse, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 26, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 26, 2017 and December 27, 2016, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 26, 2017, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 23, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP
Louisville, Kentucky
February 23, 2018

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 26, 2017	December 27, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 150,918	$ 112,944
Receivables, net of allowance for doubtful accounts of $43 at December 26, 2017 and $33 at December 27, 2016	76,496	56,127
Inventories, net	16,306	16,088
Prepaid income taxes	—	954
Prepaid expenses	13,361	12,150
Deferred tax assets, net	—	1,996
Total current assets	257,081	200,259
Property and equipment, net of accumulated depreciation of $527,710 at December 26, 2017 and $457,102 at December 27, 2016	912,147	830,054
Goodwill	121,040	116,571
Intangible assets, net of accumulated amortization of $12,675 at December 26, 2017 and $11,753 at December 27, 2016	2,700	3,622
Other assets	37,655	29,465
Total assets	$ 1,330,623	$ 1,179,971
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt and obligation under capital lease	$ 9	$ 167
Accounts payable	57,579	50,789
Deferred revenue-gift cards	156,627	129,558
Accrued wages	29,678	26,039
Income taxes payable	2,494	—
Accrued taxes and licenses	21,997	19,698
Dividends payable	14,945	13,418
Other accrued liabilities	46,669	39,858
Total current liabilities	329,998	279,527
Long-term debt and obligation under capital lease, excluding current maturities	51,981	52,381
Stock option and other deposits	7,699	7,491
Deferred rent	42,141	36,103
Deferred tax liabilities, net	5,301	12,268
Other liabilities	42,112	33,959
Total liabilities	479,232	421,729
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, 71,168,897 and 70,619,737 shares issued and outstanding at December 26, 2017 and December 27, 2016, respectively)	71	71
Additional paid-in-capital	236,548	219,626
Retained earnings	602,499	530,723
Accumulated other comprehensive loss	(39)	(194)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	839,079	750,226
Noncontrolling interests	12,312	8,016
Total equity	851,391	758,242
Total liabilities and equity	$ 1,330,623	$ 1,179,971

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share data)

	Fiscal Year Ended		
	December 26, 2017	**December 27, 2016**	**December 29, 2015**
Revenue:			
Restaurant sales	$ 2,203,017	$ 1,974,261	$ 1,791,446
Franchise royalties and fees	16,514	16,453	15,922
Total revenue	2,219,531	1,990,714	1,807,368
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	721,550	669,203	644,001
Labor	687,545	590,256	524,203
Rent	44,807	40,580	37,183
Other operating	342,702	305,290	275,296
Pre-opening	19,274	19,547	19,116
Depreciation and amortization	93,499	82,964	69,694
Impairment and closure	654	179	974
General and administrative	123,294	110,795	92,336
Total costs and expenses	2,033,325	1,818,814	1,662,803
Income from operations	186,206	171,900	144,565
Interest expense, net	1,577	1,255	1,959
Equity income from investments in unconsolidated affiliates	(1,488)	(1,111)	(1,641)
Income before taxes	186,117	171,756	144,247
Provision for income taxes	48,581	51,183	42,986
Net income including noncontrolling interests	137,536	120,573	101,261
Less: Net income attributable to noncontrolling interests	6,010	4,975	4,367
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 131,526	$ 115,598	$ 96,894
Other comprehensive income (loss), net of tax:			
Unrealized gain on derivatives, net of tax of ($-), ($18) and ($513), respectively	—	27	817
Foreign currency translation adjustment, net of tax of ($97), $70 and $91, respectively	155	(112)	(144)
Total other comprehensive income (loss), net of tax	155	(85)	673
Total comprehensive income	$ 131,681	$ 115,513	$ 97,567
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	$ 1.85	$ 1.64	$ 1.38
Diluted	$ 1.84	$ 1.63	$ 1.37
Weighted average shares outstanding:			
Basic	70,989	70,396	70,032
Diluted	71,527	71,052	70,747
Cash dividends declared per share	$ 0.84	$ 0.76	$ 0.68

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(tabular amounts in thousands, except share data)

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 30, 2014	69,628,781	$ 70	$ 189,168	$ 419,436	$ (782)	$ 607,892	$ 7,064	$ 614,956
Net income	—	—	—	96,894	—	96,894	4,367	101,261
Other comprehensive income, net	—	—	—	—	673	673	—	673
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,911)	(3,911)
Noncontrolling interests liquidation adjustments	—	—	22	—	—	22	—	22
Dividends declared and paid ($0.51 per share)	—	—	—	(35,733)	—	(35,733)	—	(35,733)
Dividends declared ($0.17 per share)	—	—	—	(11,919)	—	(11,919)	—	(11,919)
Shares issued under share-based compensation plans including tax effects	1,030,184	1	8,976	—	—	8,977	—	8,977
Repurchase of shares of common stock	(321,789)	(1)	(11,396)	—	—	(11,397)	—	(11,397)
Indirect repurchase of shares for minimum tax withholdings	(245,973)	—	(8,572)	—	—	(8,572)	—	(8,572)
Share-based compensation	—	—	22,825	—	—	22,825	—	22,825
Balance, December 29, 2015	70,091,203	$ 70	$ 201,023	$ 468,678	$ (109)	$ 669,662	$ 7,520	$ 677,182
Net income	—	—	—	115,598	—	115,598	4,975	120,573
Other comprehensive loss, net	—	—	—	—	(85)	(85)	—	(85)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(4,479)	(4,479)
Dividends declared and paid ($0.57 per share)	—	—	—	(40,135)	—	(40,135)	—	(40,135)
Dividends declared ($0.19 per share)	—	—	—	(13,418)	—	(13,418)	—	(13,418)
Shares issued under share-based compensation plans including tax effects	879,042	1	5,958	—	—	5,959	—	5,959
Repurchase of shares of common stock	(114,700)	—	(4,110)	—	—	(4,110)	—	(4,110)
Indirect repurchase of shares for minimum tax withholdings	(235,808)	—	(9,312)	—	—	(9,312)	—	(9,312)
Share-based compensation	—	—	26,067	—	—	26,067	—	26,067
Balance, December 27, 2016	70,619,737	$ 71	$ 219,626	$ 530,723	$ (194)	$ 750,226	$ 8,016	$ 758,242
Net income	—	—	—	131,526	—	131,526	6,010	137,536
Other comprehensive income, net	—	—	—	—	155	155	—	155
Noncontrolling interests contribution	—	—	—	—	—	—	3,457	3,457
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(5,171)	(5,171)
Dividends declared and paid ($0.63 per share)	—	—	—	(44,736)	—	(44,736)	—	(44,736)
Dividends declared ($0.21 per share)	—	—	—	(14,945)	—	(14,945)	—	(14,945)
Shares issued under share-based compensation plans including tax effects	800,189	1	1,557	—	—	1,558	—	1,558
Indirect repurchase of shares for minimum tax withholdings	(251,029)	(1)	(11,638)	—	—	(11,639)	—	(11,639)
Cumulative effect of change in accounting principle	—	—	69	(69)	—	—	—	—
Share-based compensation	—	—	26,934	—	—	26,934	—	26,934
Balance, December 26, 2017	71,168,897	$ 71	$ 236,548	$ 602,499	$ (39)	$ 839,079	$ 12,312	$ 851,391

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	December 26, 2017	December 27, 2016	December 29, 2015
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 137,536	$ 120,573	$ 101,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	93,499	82,964	69,694
Deferred income taxes	(5,069)	5,994	411
Loss on disposition of assets	4,961	5,125	5,455
Impairment and closure costs	600	139	974
Equity income from investments in unconsolidated affiliates	(1,488)	(1,111)	(1,641)
Distributions of income received from investments in unconsolidated affiliates	1,424	1,901	502
Provision for doubtful accounts	10	27	(4)
Share-based compensation expense	26,934	26,067	22,825
Changes in operating working capital:			
Receivables	(20,379)	(10,733)	(11,395)
Inventories	(48)	(455)	(1,377)
Prepaid expenses	(1,211)	(855)	(743)
Other assets	(7,401)	(4,229)	(2,276)
Accounts payable	1,601	138	7,611
Deferred revenue—gift cards	26,678	28,284	21,812
Accrued wages	3,639	(10,194)	5,858
Excess tax benefits from share-based compensation	—	(3,291)	(4,540)
Prepaid income taxes and income taxes payable	3,448	2,300	2,994
Accrued taxes and licenses	2,299	919	1,187
Other accrued liabilities	5,148	3,326	1,991
Deferred rent	6,038	4,610	4,529
Other liabilities	8,154	5,566	2,813
Net cash provided by operating activities	286,373	257,065	227,941
Cash flows from investing activities:			
Capital expenditures—property and equipment	(161,628)	(164,738)	(173,475)
Acquisition of franchise restaurants, net of cash acquired	(16,528)	—	—
Proceeds from sale of property and equipment, including insurance proceeds	—	—	272
Net cash used in investing activities	(178,156)	(164,738)	(173,203)
Cash flows from financing activities:			
Proceeds from revolving credit facility, net	—	25,000	(25,000)
Debt issuance costs	(476)	—	—
Proceeds from financing lease obligation	—	—	3,000
Proceeds from noncontrolling interest contribution	3,457	—	—
Repurchase of shares of common stock	—	(4,110)	(11,397)
Distributions to noncontrolling interest holders	(5,171)	(4,479)	(3,911)
Excess tax benefits from share-based compensation	—	3,291	4,540
Proceeds from stock option and other deposits, net	740	419	1,422
Indirect repurchase of shares for minimum tax withholdings	(11,639)	(9,312)	(8,572)
Principal payments on long-term debt and capital lease obligation	(558)	(145)	(128)
Proceeds from exercise of stock options	1,558	2,673	4,696
Dividends paid to shareholders	(58,154)	(52,054)	(46,176)
Net cash used in financing activities	(70,243)	(38,717)	(81,526)
Net increase in cash and cash equivalents	37,974	53,610	(26,788)
Cash and cash equivalents—beginning of period	112,944	59,334	86,122
Cash and cash equivalents—end of period	$ 150,918	$ 112,944	$ 59,334
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$ 1,216	$ 1,011	$ 2,321
Income taxes paid	$ 50,201	$ 42,890	$ 39,581
Capital expenditures included in current liabilities	$ 12,156	$ 2,781	$ 3,726
Obligation under capital lease	$ —	$ 2,000	$ —

See accompanying notes to Consolidated Financial Statements.

(1) Description of Business

The accompanying Consolidated Financial Statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we have a controlling interest (collectively, the "Company," "we," "our" and/or "us") as of December 26, 2017 and December 27, 2016 and for each of the years in the three-year period ended December 26, 2017.

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

As of December 27, 2016, we owned and operated 431 restaurants and franchised an additional 86 restaurants in 49 states and six foreign countries. Of the 431 company restaurants that were operating at December 27, 2016, 415 were wholly-owned and 16 were majority-owned.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 26, 2017 and December 27, 2016, we owned a 5.0% to 10.0% equity interest in 24 restaurants. Additionally, as of December 26, 2017 and December 27, 2016, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. Our investments in these unconsolidated affiliates are included in Other assets in our consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

(b) Fiscal Year

We utilize a 52 or 53 week accounting period that typically ends on the last Tuesday in December. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal years 2017, 2016 and 2015 were 52 weeks in length.

(c) Cash and Cash Equivalents

We consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents also included receivables from credit card companies, which amounted to $7.2 million and $8.8 million at December 26, 2017 and December 27, 2016, respectively, because the balances are settled within two to three business days.

(d) Receivables

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

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

(e) Inventories

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

(f) Pre-opening Expenses

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

(g) Property and Equipment

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

The estimated useful lives are:

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

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

Repairs and maintenance expense amounted to $25.8 million, $22.4 million and $20.6 million for the years ended December 26, 2017, December 27, 2016 and December 29, 2015, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(h) Impairment of Goodwill

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

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate revenue growth rates, operating margins, weighted average cost of capital and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings method or discounted cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal

value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

In 2017, 2016 and 2015, as a result of our annual goodwill impairment analysis, we determined that there was no goodwill impairment. Refer to note 6 for additional information related to goodwill and intangible assets.

(i) Other Assets

Other assets consist primarily of deferred compensation plan assets, investments in unconsolidated affiliates, deposits and costs related to the issuance of debt. The debt issuance costs are being amortized to interest expense over the term of the related debt. For further discussion of the deferred compensation plan, see note 14.

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360-10-05, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below $300,000 at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the assets. We generally measure fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. The adjusted carrying amounts of assets to be held and used are depreciated over their remaining useful life. In 2017, 2016 and 2015, as a result of our impairment analysis, we determined that there was no impairment. For further discussion regarding closures and impairments recorded in 2017, 2016 and 2015 refer to note 15.

(k) Insurance Reserves

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

Employment practices liability/Class Action	$250,000 / $2,000,000
Workers' compensation	$350,000
General liability	$250,000
Employee healthcare	$275,000

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

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

(l) Segment Reporting

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers. The restaurants also possess similar pricing structures, resulting in similar long-term expected financial performance characteristics. As of December 26, 2017, we operated 462 restaurants, each as a single operating segment, and franchised an additional 87 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

Revenue from restaurant sales is recognized when food and beverage products are sold. Deferred revenue primarily represents our liability for gift cards that have been sold, but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue.

For some of the gift cards that were sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that approximately 4% of the value of the gift cards sold by our company and our third party retailers will never be redeemed. This breakage adjustment is recorded consistent with the historic redemption pattern of the associated gift card. As a result, the amount of unredeemed gift card liability included in deferred revenue is the full value of unredeemed gift cards less the amortized portion of the breakage rates. We record our gift card breakage adjustment as a reduction of other operating expense in our consolidated statements of income and comprehensive income. We review and adjust our estimates on a semi-annual basis.

We franchise Texas Roadhouse restaurants. We execute franchise agreements for each franchise restaurant which sets out the terms of our arrangement with the franchisee. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. We collect ongoing royalties of generally 4.0% of gross sales from our domestic franchisees, along with royalties paid to us by our international franchisees. These ongoing royalties are reflected in the accompanying consolidated statements of income

and comprehensive income as franchise royalties and fees. We recognize initial franchise fees as franchise royalties and fees after performing substantially all initial services or conditions required by the franchise agreement, which is generally upon the opening of a restaurant. We received initial franchise fees of $0.3 million for each of the years ended December 26, 2017, December 27, 2016 and December 29, 2015. Continuing franchise royalties are recognized as revenue as the fees are earned. We also enter into area development agreements for the development of international Texas Roadhouse restaurants. Upfront fees from development agreements are deferred and recognized as franchise royalties and fees on a pro-rata basis as restaurants under the development agreement are opened. We also perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Revenue from supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying consolidated statements of income and comprehensive income. Total revenue from supervisory and administrative services recorded for the years ended December 26, 2017, December 27, 2016 and December 29, 2015 was approximately $1.2 million, $1.1 million and $1.1 million, respectively.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of income and comprehensive income.

(n) Income Taxes

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

(o) Advertising

We have a domestic system-wide marketing and advertising fund. We maintain control of the marketing and advertising fund and, as such, have consolidated the fund's activity for the years ended December 26, 2017, December 27, 2016 and December 29, 2015. Domestic company and franchise restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. These reimbursements do not exceed the costs incurred by the advertising fund throughout the year associated with various marketing programs which are developed internally by us. Therefore, the net amount of the advertising costs incurred less amounts remitted by franchise restaurants is included in general and administrative expense in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company-owned restaurant contribution amounted to approximately $14.5 million, $13.3 million and $11.7 million for the years ended December 26, 2017, December 27, 2016 and December 29, 2015, respectively.

(p) Leases and Leasehold Improvements

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

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and

record the difference between the amounts charged to operations and amounts paid as deferred rent. We generally do not receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease. We may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

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

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

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

(q) Use of Estimates

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

(r) Comprehensive Income

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

(s) Fair Value of Financial Instruments

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. We use a three-tier fair value hierarchy based upon

observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy. Refer to note 14 for further discussion of fair value measurement.

(t) Derivative Instruments and Hedging Activities

We do not use derivative instruments for trading purposes. We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship. We had two free standing derivative instruments that had been designated and qualified as cash flow hedges. The first interest rate swap agreement expired in November 2015 while the second expired in January 2016. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. There was no hedge ineffectiveness recognized during the years ended December 26, 2017, December 27, 2016 and December 29, 2015.

(3) Acquisitions

On December 28, 2016, we acquired four franchise restaurants in Florida and Georgia. Pursuant to the terms of the acquisition agreements, we paid a total purchase price of $16.5 million, net of cash acquired. Two of the acquired restaurants are wholly-owned and the remaining two restaurants are majority-owned. For the two majority-owned restaurants, we received a noncontrolling interest contribution of $3.5 million. These acquisitions are consistent with our long-term strategy to increase net income and earnings per share.

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

The purchase price has been allocated as follows:

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

Pro forma results of operations and revenue and earnings for the years ended December 26, 2017 and December 27, 2016 have not been presented because the effect of the acquisitions was not material to our consolidated financial position, results of operations or cash flows.

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

Long-term debt consisted of the following:

	December 26, 2017	December 27, 2016
Installment loan	$ —	$ 550
Obligation under capital lease	1,990	1,998
Revolver	50,000	50,000
	51,990	52,548
Less current maturities	9	167
	$ 51,981	$ 52,381

Maturities of long-term debt at December 26, 2017 are as follows:

2018	$ 9
2019	11
2020	12
2021	14
2022	50,017
Thereafter	1,927
	$ 51,990

The interest rate for our installment loan outstanding at December 27, 2016 was 10.46%. The installment loan was repaid during the 52 weeks ended December 26, 2017.

During the 52 weeks ended December 27, 2016, we amended an existing lease at one restaurant location to acquire additional square footage. As a result of this amendment, the lease qualified as a capital lease.

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

The terms of the Amended Credit Agreement require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875% and to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, in each case depending on our consolidated net leverage ratio, or the Alternate Base Rate, which is the highest of the issuing banks' prime lending rate, the Federal Reserve Bank of New York rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. The weighted-average interest rate for the amended revolving credit facility as of December 26, 2017 and December 27, 2016 was 2.37% and 1.57%, respectively. As of December 26, 2017, we had $50.0 million outstanding under the amended revolving credit facility and $142.5 million of availability, net of $7.5 million of outstanding letters of credit.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The Amended Credit Agreement permits us to incur additional secured or unsecured indebtedness outside the amended revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate is equal to or greater than $125.0 million and 20% of our consolidated tangible net worth. We were in compliance with all financial covenants as of December 26, 2017.

(5) Property and Equipment, Net

Property and equipment were as follows:

	December 26, 2017	December 27, 2016
Land and improvements	$ 124,126	$ 119,338
Buildings and leasehold improvements	757,293	668,519
Furniture, fixtures and equipment	500,954	459,127
Construction in progress	47,457	30,394
Liquor licenses	10,027	9,778
	1,439,857	1,287,156
Accumulated depreciation and amortization	(527,710)	(457,102)
	$ 912,147	$ 830,054

The amount of interest capitalized in connection with restaurant construction was approximately $0.4 million for the year ended December 26, 2017, $0.3 million for the year ended December 27, 2016 and $0.7 million for the year ended December 29, 2015.

(6) Goodwill and Intangible Assets

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

	Goodwill	Intangible Assets
Balance as of December 29, 2015 (1)	116,571	4,827
Additions	—	—
Amortization expense	—	(1,205)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 27, 2016	116,571	3,622
Additions	4,469	—
Amortization expense	—	(922)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 26, 2017	121,040	2,700

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

Intangible assets consist of reacquired franchise rights. The gross carrying amount and accumulated amortization of the intangible assets at December 26, 2017 were $15.4 million and $12.7 million, respectively. As of December 27, 2016, the gross carrying amount and accumulated amortization of the intangible assets was $15.4 million and $11.8 million. We amortize reacquired franchise rights on a straight-line basis over the remaining term of the franchise operating agreements, which varies by restaurant. Amortization expense for the next five years is expected to range

from $0.2 million to $0.7 million. Refer to note 3 for discussion of the acquisition completed on December 28, 2016.

(7) Leases

The following is a schedule of future minimum lease payments required for operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 26, 2017:

	Operating Leases
2018	$ 45,911
2019	46,157
2020	45,132
2021	45,514
2022	45,966
Thereafter	621,324
Total	$ 850,004

Rent expense for operating leases consisted of the following:

	December 26, 2017	December 27, 2016	December 29, 2015
Minimum rent—occupancy	$ 43,621	$ 39,405	$ 36,104
Contingent rent	1,186	1,175	1,079
Rent expense, occupancy	44,807	40,580	37,183
Minimum rent—equipment and other	5,087	4,379	3,952
Rent expense	$ 49,894	$ 44,959	$ 41,135

(8) Income Taxes

Components of our income tax provision for the years ended December 26, 2017, December 27, 2016 and December 29, 2015 are as follows:

	Fiscal Year Ended		
	December 26, 2017	December 27, 2016	December 29, 2015
Current:			
Federal	$ 43,108	$ 36,201	$ 33,403
State	10,233	8,786	8,821
Foreign	309	202	351
Total current	53,650	45,189	42,575
Deferred:			
Federal	(4,830)	5,364	274
State	(239)	630	137
Total deferred	(5,069)	5,994	411
Income tax provision	$ 48,581	$ 51,183	$ 42,986

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

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

A reconciliation of the statutory federal income tax rate to our effective tax rate for December 26, 2017, December 27, 2016 and December 29, 2015 is as follows:

	December 26, 2017	December 27, 2016	December 29, 2015
Tax at statutory federal rate	35.0 %	35.0 %	35.0 %
State and local tax, net of federal benefit	3.3	3.4	3.5
FICA tip tax credit	(7.0)	(6.8)	(7.2)
Work opportunity tax credit	(0.9)	(0.8)	(0.9)
Stock compensation	(1.8)	(0.1)	(0.2)
Net income attributable to noncontrolling interests	(1.1)	(0.9)	(1.0)
Tax reform	(1.7)	—	—
Other	0.3	—	0.6
Total	26.1 %	29.8 %	29.8 %

Our effective tax rate decreased to 26.1% in 2017 compared to 29.8% in 2016 primarily due to the adoption of Accounting Standards Update 2016-09, *Compensation – Stock Compensation* and new tax legislation that was enacted in late 2017. As a result of the new guidance requirements, excess tax benefits and tax deficiencies from share-based compensation are recognized within the income tax provision. During 2017, we recognized $3.4 million, or $0.05 per share, as an income tax benefit related to the new guidance requirements. As a result of the new tax legislation, significant tax changes were enacted including a reduction of the federal corporate tax rate from 35.0% to 21.0% and changes in the federal taxes paid on foreign sourced earnings. These changes are generally effective beginning with our fiscal year 2018. During 2017, we recognized $3.1 million, or $0.04 per share, as an income tax benefit related to the new tax legislation which includes an income tax benefit of approximately $3.8 million to revalue our deferred tax balances as of the enactment date and an income tax expense of approximately $0.7 million related to our foreign operations.

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

Components of deferred tax assets (liabilities) are as follows:

	December 26, 2017	December 27, 2016
Deferred tax assets:		
Deferred revenue—gift cards	$ 10,355	$ 10,887
Insurance reserves	3,638	5,049
Other reserves	621	587
Share-based compensation	6,022	8,642
Deferred rent	10,338	13,400
Deferred compensation	6,737	8,422
Other assets	1,866	3,261
Total deferred tax asset	39,577	50,248
Deferred tax liabilities:		
Property and equipment	(35,430)	(48,390)
Goodwill and intangibles	(4,697)	(5,978)
Other liabilities	(4,751)	(6,152)
Total deferred tax liability	(44,878)	(60,520)
Net deferred tax liability	$ (5,301)	$ (10,272)
Current deferred tax asset	$ —	$ 1,996
Noncurrent deferred tax liability	(5,301)	(12,268)
Net deferred tax liability	$ (5,301)	$ (10,272)

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

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

Balance at December 29, 2015	$ 405
Additions to tax positions related to prior years	23
Additions to tax positions related to current year	274
Reductions due to statute expiration	(4)
Reductions due to exam settlements	(187)
Balance at December 27, 2016	511
Additions to tax positions related to prior years	36
Additions to tax positions related to current year	389
Reductions due to statute expiration	(2)
Reductions due to exam settlement	(128)
Balance at December 26, 2017	$ 806

As of December 26, 2017 and December 27, 2016, the total amount of accrued penalties and interest related to uncertain tax provisions was not material.

All entities for which unrecognized tax benefits exist as of December 26, 2017 possess a December tax year-end. As a result, as of December 26, 2017, the tax years ended December 30, 2014, December 29, 2015 and December 27, 2016 remain subject to examination by all tax jurisdictions. As of December 26, 2017, no audits were in process by a tax jurisdiction that, if completed during the next twelve months, would be expected to result in a material change to our unrecognized tax benefits. Additionally, as of December 26, 2017, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 25, 2018.

(9) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 26, 2017 and December 27, 2016.

(10) Stockholders' Equity

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

We did not repurchase any shares of common stock during the year ended December 26, 2017. As of December 26, 2017, we had approximately $69.9 million remaining under our authorized stock repurchase program. For the years ended December 27, 2016 and December 29, 2015, we paid approximately $4.1 million and $11.4 million to repurchase 114,700 and 321,789 shares of our common stock, respectively.

(11) 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 RSUs outstanding and certain performance stock units ("PSUs") from our equity incentive plans as discussed in note 13.

The following table summarizes the nonvested stock that was outstanding but not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect:

	Fiscal Year Ended		
	2017	2016	2015
Nonvested stock	2,082	2	1,243

PSUs are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 13 for further discussion of PSUs.

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

	December 26, 2017	December 27, 2016	December 29, 2015
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 131,526	$ 115,598	$ 96,894
Basic EPS:			
Weighted-average common shares outstanding	70,989	70,396	70,032
Basic EPS	$ 1.85	$ 1.64	$ 1.38
Diluted EPS:			
Weighted-average common shares outstanding	70,989	70,396	70,032
Dilutive effect of nonvested stock	538	656	715
Shares-diluted	71,527	71,052	70,747
Diluted EPS	$ 1.84	$ 1.63	$ 1.37

(12) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 26, 2017 and December 27, 2016 was approximately $150.0 million and $157.5 million, respectively.

As of December 26, 2017 and December 27, 2016, we are contingently liable for $15.6 million and $16.4 million, respectively, for seven leases listed in the table below. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 26, 2017 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

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

(1) Real estate lease agreements for restaurant locations which we entered into before granting franchise rights to those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable, under the terms of the lease, if the franchisee defaults.
(2) As discussed in note 18, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.
(3) Leases associated with restaurants which were sold. The leases were assigned to the acquirer, but we remain contingently liable under the terms of the lease if the acquirer defaults.
(4) We may be released from liability after the initial contractual lease term expiration contingent upon certain conditions being met by the acquirer.

During the year ended December 26, 2017, we bought most of our beef from three suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages, higher costs to secure adequate supplies and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

We and the U.S. Equal Employment Opportunity Commission entered into a consent decree dated March 31, 2017 (the "Consent Decree") to settle the lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts, Civil Action Number 1:11-cv-11732 (the "Lawsuit"). The Consent Decree resolves the issues litigated in the Lawsuit. Under the Consent Decree, among other terms, we have established a fund of $12.0 million, from which awards of monetary relief, allocated as wages for tax purposes, may be made to eligible claimants in accordance with procedures set forth in the Consent Decree. We recorded a pre-tax charge of $14.9 million ($9.2 million after-tax) related to the Lawsuit and Consent Decree. The pre-tax charge includes $12.6 million of costs associated with the legal settlement and $2.3 million of legal fees associated with the defense of the case during the 13 weeks ended March 28, 2017. The pre-tax charge was recorded in general and administrative expense in our consolidated statements of income and comprehensive income.

On July 15, 2016, the Florida Circuit Court in Palm Beach County approved a settlement agreement styled Andrew Lovett and Semaj Miller, individually and on behalf of others, v. Texas Roadhouse Management Corp. (Case no. 50-2016-CA-007714-MB-AO) resolving alleged violations of the Fair Labor Standards Act asserted on behalf of a purported nationwide class of current and former employees in exchange for a settlement payment not to exceed $9.5 million. For the 52 weeks ended December 27, 2016, we recorded a charge of $7.3 million ($4.5 million after-tax) to cover the costs of the settlement including payments to opt-in members and class attorneys, as well as related settlement administration costs. The pre-tax charge was recorded in general and administrative expenses in our consolidated statements of income and comprehensive income.

Occasionally, we are a defendant in litigation arising in the ordinary course of business, including "slip and fall" accidents, employment related claims, claims related to our service of alcohol, and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. In the opinion of management, the ultimate disposition of these matters, most of which are covered by insurance, will not have a material effect on our consolidated financial position, results of operations or cash flows.

(13) Share-based Compensation

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

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

	Fiscal Year Ended		
	December 26, 2017	December 27, 2016	December 29, 2015
Labor expense	$ 7,171	$ 6,124	$ 5,329
General and administrative expense	19,763	19,943	17,496
Total share-based compensation expense	$ 26,934	$ 26,067	$ 22,825

Effective December 28, 2016, we adopted Accounting Standards Update No. 2016-09, *Compensation – Stock Compensation* ("ASU 2016-09") which amends and simplifies the accounting for stock compensation. As a result of the

adoption of ASU 2016-09, we made a change in our accounting for forfeitures to record as they occur and, as a result, we recorded a $0.1 million cumulative-effect reduction to retained earnings under the modified retrospective approach. We elected prospective transition for the requirement to classify excess tax benefits as an operating activity in the consolidated statement of cash flows. No prior periods have been adjusted. Additionally, as a result of the new guidance requirements, on a prospective basis, all excess tax benefits and tax deficiencies are recognized within the income tax provision in the consolidated statements of income and comprehensive income in the period in which the restricted shares vest or options are exercised. See note 8 for further discussion.

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by granting RSUs as a form of share-based compensation. Prior to 2008, we issued stock options as share-based compensation to our employees. Beginning in 2015, we began granting PSUs to two of our executives. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. A PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement. In 2017, all remaining unexercised stock options expired leaving only RSUs and PSUs outstanding. Share-based compensation activity by type of grant as of December 26, 2017 and changes during the period then ended are presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 27, 2016	919,463	$ 37.06		
Granted	577,644	48.76		
Forfeited	(50,401)	38.09		
Vested	(496,715)	38.01		
Outstanding at December 26, 2017	949,991	$ 43.62	1.4	$ 51,402

As of December 26, 2017, with respect to unvested RSUs, there was $23.2 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 approximately 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the years ended December 26, 2017, December 27, 2016 and December 29, 2015 was $23.4 million, $21.5 million and $25.1 million, respectively. The excess tax benefit associated with vested RSUs for the year ended December 26, 2017 was $1.6 million which was recognized in the income tax provision. The excess tax benefit associated with vested RSUs for the years ended December 27, 2016 and December 29, 2015 was $1.5 million and $2.8 million, respectively, which was recorded in additional paid-in-capital in the consolidated balance sheets.

Summary Details for PSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 27, 2016	230,000	$ 37.00		
Granted	90,000	54.18		
Incremental Performance Shares (1)	73,237	34.11		
Forfeited	—	—		
Vested	(188,237)	34.11		
Outstanding at December 26, 2017	205,000	$ 46.16	1.0	$ 11,086

(1) Additional shares from the November 2015 PSU grant that vested in January 2017 due to exceeding the initial 100% target.

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

On January 8, 2018, 155,576 shares vested related to the November 2016 PSU grant and are expected to be distributed during the 13 weeks ending March 27, 2018. This included 115,000 granted shares and 40,576 incremental shares due to the grant exceeding the initial 100% target. As of December 26, 2017, with respect to unvested PSUs, there was $5.1 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.0 year. The excess tax benefit associated with vested PSUs for the year ended December 26, 2017 was $0.8 million which was recognized within the income tax provision.

Summary Details for Stock Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 27, 2016	118,073	$ 13.57		
Granted	—	—		
Cancelled/Expired	(2,836)	15.47		
Exercised	(115,237)	13.52		
Outstanding at December 26, 2017	—	$ —	—	$ —
Exercisable at December 26, 2017	—	$ —	—	$ —

No stock options were granted or vested during the fiscal years ended December 26, 2017, December 27, 2016 and December 29, 2015. The total intrinsic value of options exercised during the years ended December 26, 2017, December 27, 2016 and December 29, 2015 was $4.0 million, $6.3 million and $6.5 million, respectively.

For the years ended December 26, 2017, December 27, 2016 and December 29, 2015, cash received before tax withholdings from options exercised was $1.6 million, $2.7 million and $4.7 million, respectively. The excess tax benefit associated with options exercised for the year ended December 26, 2017 was $1.0 million which was recognized within the income tax provision. The excess tax benefit for the years ended December 27, 2016 and December 29, 2015 was $1.8 million and $1.7 million, respectively, which was recorded in additional paid-in-capital in the consolidated balance sheets.

(14) Fair Value Measurement

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

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

There were no transfers among levels within the fair value hierarchy during the year ended December 26, 2017.

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

	Fair Value Measurements		
	Level	December 26, 2017	December 27, 2016
Deferred compensation plan—assets	1	$ 28,754	$ 21,951
Deferred compensation plan—liabilities	1	(28,829)	(22,128)

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

At December 26, 2017 and December 27, 2016, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our amended revolving credit facility at December 26, 2017 and December 27, 2016 approximated its carrying value since it is a variable rate credit facility (Level 2).

(15) Impairment and Closure Costs

We recorded closure costs of $0.7 million, $0.2 million and $1.0 million for the years ended December 26, 2017, December 27, 2016 and December 29, 2015, respectively, related to costs associated with the relocation of restaurants.

(16) Derivative and Hedging Activities

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

As of December 29, 2015, we had an interest rate swap designated as a hedging instrument under ASC 815 which was recorded as a derivative liability of approximately $45,000 in other accrued liabilities on the consolidated balance sheet.

The following table summarizes the effect of our interest rate swaps in the consolidated statements of income and comprehensive income for the 52 weeks ended December 26, 2017, December 27, 2016 and December 29, 2015, respectively:

	December 26, 2017	December 27, 2016	December 29, 2015
Gain recognized in AOCI, net of tax (effective portion) (1)	$ —	$ 27	$ 817
Loss reclassified from AOCI to income (effective portion) (1)	$ —	$ 45	$ 1,397

(1) The fiscal year ended December 27, 2016 included the effect of one interest rate swap which expired on January 7, 2016, while the fiscal year ended December 29, 2015 included the effect of two interest rate swaps, one of which expired on November 7, 2015.

The loss reclassified from AOCI to income was recognized in interest expense on our consolidated statements of income and comprehensive income. For each of the fiscal periods ended December 26, 2017, December 27, 2016 and December 29, 2015, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the consolidated statements of income and comprehensive income.

(17) Accumulated Other Comprehensive Loss

The components of the changes in accumulated other comprehensive loss for the 52 weeks ended December 26, 2017 and December 27, 2016 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance as of December 29, 2015	(27)	(82)	(109)
Other comprehensive loss before reclassifications	—	(182)	(182)
Reclassification adjustments to income (1)	45	—	45
Income taxes	(18)	70	52
Balance as of December 27, 2016	$ —	$ (194)	$ (194)
Other comprehensive loss before reclassifications	—	252	252
Reclassification adjustments to income (1)	—	—	—
Income taxes	—	(97)	(97)
Balance as of December 26, 2017	$ —	$ (39)	$ (39)

(1) For further discussion of amounts reclassified to income, see note 16.

(18) Related Party Transactions

As of December 26, 2017, December 27, 2016 and December 29, 2015, we had 10 franchise restaurants owned in whole or part by certain of our officers, directors and 5% stockholders of the Company. These entities paid us fees of $2.1 million, $2.0 million and $1.8 million for the years ended December 26, 2017, December 27, 2016 and December 29, 2015, respectively. As discussed in note 12, we are contingently liable on leases which are related to two of these restaurants.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

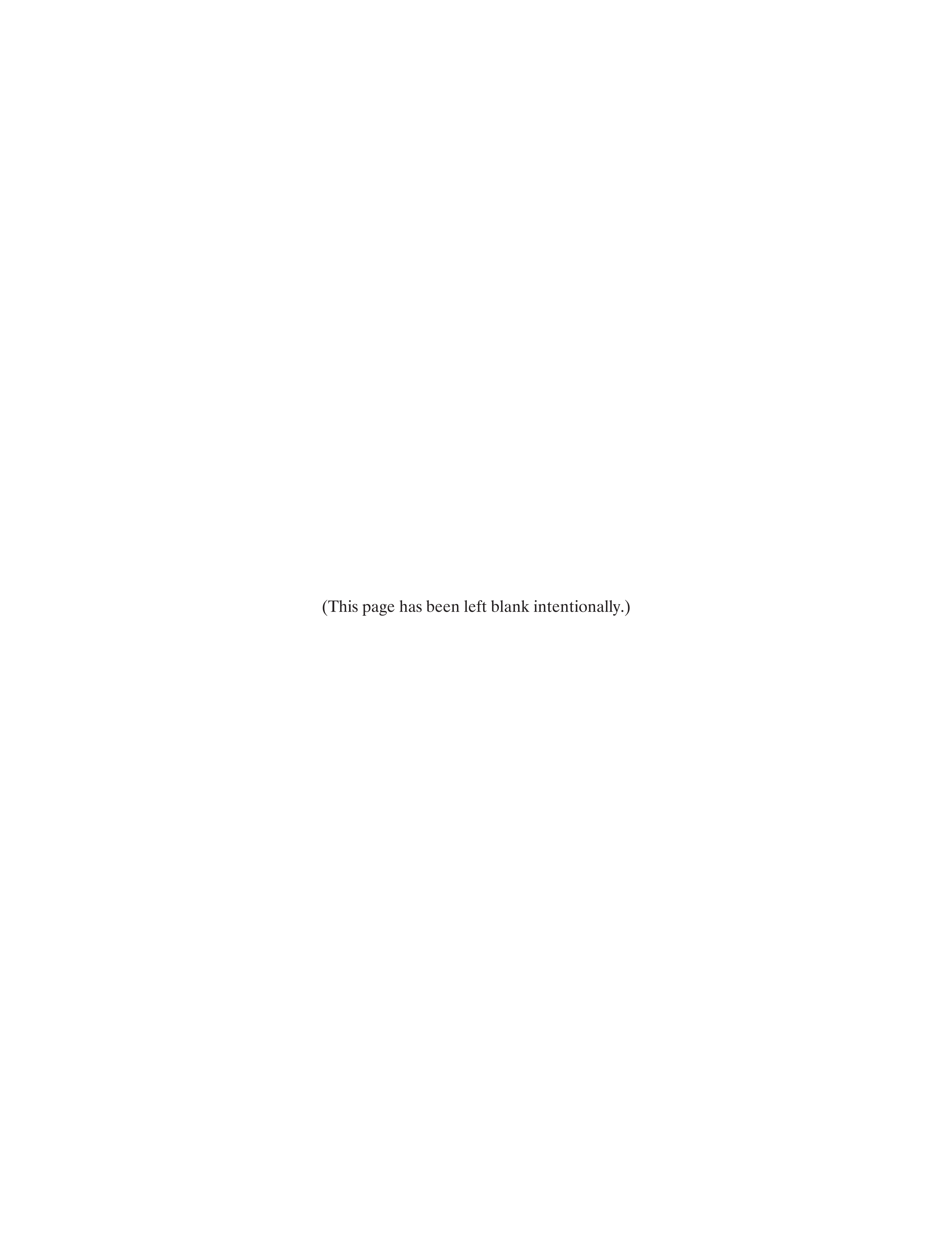
(19) Selected Quarterly Financial Data (unaudited)

	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 567,686	$ 566,262	$ 540,507	$ 545,076	$ 2,219,531
Total costs and expenses	$ 518,664	$ 512,048	$ 494,996	$ 507,617	$ 2,033,325
Income from operations	$ 49,022	$ 54,214	$ 45,511	$ 37,459	$ 186,206
Net income attributable to Texas Roadhouse, Inc. and subsidiaries (a)	$ 34,313	$ 37,581	$ 31,014	$ 28,618	$ 131,526
Basic earnings per common share (a)	$ 0.48	$ 0.53	$ 0.44	$ 0.40	$ 1.85
Diluted earnings per common share (a)	$ 0.48	$ 0.53	$ 0.43	$ 0.40	$ 1.84
Cash dividends declared per share	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.84

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 515,559	$ 508,808	$ 481,637	$ 484,710	$ 1,990,714
Total costs and expenses	$ 462,748	$ 459,026	$ 443,169	$ 453,871	$ 1,818,814
Income from operations	$ 52,811	$ 49,782	$ 38,468	$ 30,839	$ 171,900
Net income attributable to Texas Roadhouse, Inc. and subsidiaries (b)	$ 35,593	$ 33,605	$ 25,675	$ 20,725	$ 115,598
Basic earnings per common share (b)	$ 0.51	$ 0.48	$ 0.36	$ 0.29	$ 1.64
Diluted earnings per common share (b)	$ 0.50	$ 0.47	$ 0.36	$ 0.29	$ 1.63
Cash dividends declared per share	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.76

(a) The first quarter of 2017 includes an after-tax charge of $9.2 million, or $0.13 per basic and diluted share, related to the settlement of a legal matter. See note 12 for further discussion. The fourth quarter of 2017 includes an income tax benefit of $3.1 million, or $0.04 per basic and diluted share, related to the enactment of new income tax legislation. See note 8 for further discussion.

(b) The first quarter of 2016 includes an after-tax charge of $3.4 million, or $0.05 per basic and diluted share, related to the settlement of a legal matter. See note 12 for further discussion.



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PUTTING A STAKE IN THE FUTURE

COMMITTED TO CHANGE WELL DONE

WE MAKE IT OUR MISSION TO LEAVE EVERY COMMUNITY BETTER THAN WHEN WE FOUND IT.

FOOD

AN APPETITE TO DO BETTER.

Serving families safe, nutritious food starts with responsible sourcing and delicious Hand-Cut Steaks.

COMMUNITY

AT THE HEART OF IT ALL.

From veteran heroes to local sports teams, and hunger relief to natural disasters, we're proud to be part of it all.

EMPLOYEES

OUR SECRET TO SUCCESS.

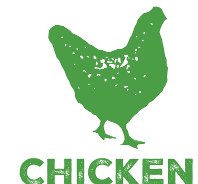
Once a Roadie, always a Roadie. For a diverse and inclusive culture, partnership is everything.

CONSERVATION

WASTE NOT. WANT NOT.

From bees to trees, preserving natural resources and reducing food, water, and energy waste is just the start.

SERVING **SAFE** QUALITY **FOOD**



CHICKEN

WE PUT SAFETY FIRST

All the products we source meet USDA guidelines for safety and follow FDA regulations for the responsible use of antibiotics.

Our poultry suppliers follow the National Chicken Council (NCC) poultry welfare guidelines, and we are working towards using only suppliers who deliver meat from farm-raised and cage-free chickens.

BEEF

WE PARTNER WITH INDUSTRY LEADERS

Our beef suppliers adhere to North American Meat Institute (NAMI) and National Cattlemen's Beef Association's (NCBA) Beef Quality Assurance (BQA) animal handling standards. These suppliers are also leaders in sustainable beef production practices, participating in industry organizations that are committed to upholding and reviewing these standards.

SALMON

100% NORWEGIAN, HARVESTED RESPONSIBLY

Texas Roadhouse serves 100% Norwegian Salmon harvested responsibly from the clear, cold waters of Norway. The salmon are raised antibiotic-free, fed an all-natural diet, and given sufficient swimming space and time for slow growth.

Giving Back
TO EVERY COMMUNITY WE SERVE

ON SEPTEMBER 27, 2017 OUR STORES DONATED
100% OF THEIR PROFITS
WHICH WAS OVER **$500,000**
TO THOSE AFFECTED BY THE HURRICANES.

ON VETERANS DAY, WE PROVIDED **OVER 250,000** (FREE) **MEALS** TO VETERANS AND ACTIVE MILITARY.

IN 2017, **MORE THAN $2 MILLION** WAS RAISED AND DONATED TO LOCAL NON-PROFITS, SCHOOLS, AND ORGANIZATIONS IN THE COMMUNITIES WE SERVE.

WE ARE FAMILY

SINCE ITS INCEPTION IN 2002, ANDY'S OUTREACH FUND HAS

HELPED
OVER 7,500 EMPLOYEES

DISTRIBUTED
OVER $10 MILLION

Preserving RESOURCES

PLANTING IT FORWARD

- In 2017, we donated $50,000 to support the Arbor Day Foundation's Community Tree Recovery campaign.
- We will continue this commitment and donate $50,000 to the Arbor Day Foundation each year through 2021 to support the replanting of trees in areas affected by the recent hurricanes.

LESS WASTE. MORE RECYCLE

- From recycling to composting, we're actively working to reduce waste.
- Approximately 95% of our stores recycle.
- 15,418 tons of cardboard, paper, plastic, glass and metal were recycled from September 2016 to July 2017.
- Up to 10 stores are leading the charge on food composting.

SHAREHOLDER INFORMATION

SUPPORT CENTER

(Corporate Office)
6040 Dutchmans Lane
Louisville, KY 40205
(800) TEX-ROAD
(800) 839-7623

ANNUAL MEETING

Thursday, May 17, 2018
9:00 am EDT
Texas Roadhouse Support Center
6040 Dutchmans Lane
Louisville, KY 40205

TRANSFER AGENT

Computershare
P.O. Box 505000
Louisville, KY 40233
Phone (877) 581-5548

FINANCIAL INQUIRIES

For additional financial documents and information, please visit our website at www.texasroadhouse.com. Please contact us by phone at (502) 515-7300 or by sending us an e-mail to investment@texasroadhouse.com

INDEPENDENT AUDITORS

KPMG LLP
400 W. Market Street, Suite 2600
Louisville, KY 40202
Phone (502) 587-0535

MEDIA INQUIRIES

For all media requests, please contact Travis Doster at (502) 638-5457

STOCK LISTING

Texas Roadhouse, Inc.
Common Stock is listed on the NASDAQ Stock Exchange under the symbol TXRH

BOARD OF DIRECTORS

Gregory N. Moore
Former Senior Vice President,
Controller
Yum! Brands, Inc.

James F. Parker
Former Chief Executive Officer,
Vice Chairman of the Board
Southwest Airlines Co.

Kathleen M. Widmer
President,
Consumer OTC Division
Johnson & Johnson

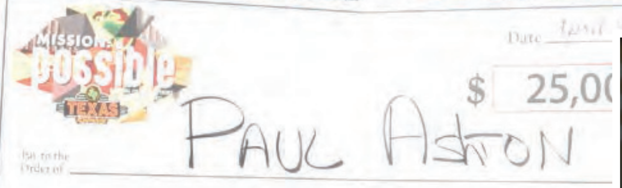
James R. Zarley
Former Chief Executive Officer,
Chairman of the Board
Conversant, Inc.

W. Kent Taylor
Founder and Chairman,
Chief Executive Officer
Texas Roadhouse, Inc.

RESTAURANT LOCATIONS

AS OF DECEMBER 26, 2017

PAUL ASHTON • SHERMAN TX
MANAGING PARTNER OF THE YEAR



SHAWN HAYNES • PALM BAY FL
MEAT CUTTER OF THE YEAR

MIKE PARKER
ROADIE OF THE YEAR

UNITED IN LEGENDARY • HURRICANE RELIEF

CHELSA HERNANDEZ
SERVICE MANAGER OF THE YEAR

PETER GAMEZ
KITCHEN MANAGER OF THE YEAR