2020
ANNUAL REPORT

DEAR SHAREHOLDERS AND INTERESTED FOLKS,

Last year, I received a handwritten letter from a young man in Texas along with the book "Investing Between the Lines." The premise of the book was to teach investors to decode CEO speak in annual reports. The author of the book writes that many CEOs don't write their own letters or if they do, it's often chock-full of fancy language and jargon that confuses current and potential investors. I never want to fall into the trap of adding any Wall Street jargon just to be more "professional sounding." I appreciate the inspiration to be even a little more myself this year, so here goes.

To say last year was a challenge is a vast understatement. In fact, 2020 was without question the most challenging year for the restaurant business. But I learned in both track and my business career that hurdles and challenges are meant to be cleared. It doesn't matter how high you jump and it doesn't matter if you stumble on a few hurdles. What matters most, is that you keep on jumping them and run your race.

Starting in March of 2020, we did a lot of jumping, as our company faced multiple hurdles on a daily basis. Our operators and Support Center team took these hurdles in stride and worked together to overcome them. From sourcing masks and thermometers to rolling out electronic symptom surveys and launching our Covid pay, they worked in partnership, never losing sight of the importance of keeping our employees and guests safe and our restaurants open in some form or capacity.

In fact, despite the pandemic, we were able to open 22 company restaurants, including three Bubba's 33 restaurants and one Jaggers, and our franchise partners opened four restaurants. This is a testament to our people's spirit as they found ways to continue to grow but never without the safety of our employees and our guest as our top priority.

Our development pipeline looks strong in 2021 as well, with a plan to open more than 20 Texas Roadhouse locations in the U.S. With the growth of our To-Go business along with the reopening of many of our dining rooms, we feel that there is some momentum building for 2021.

Bubba's 33 really found its footing as well. Being the "younger sibling" is never easy. But Bubba's 33 had a breakout year and we are excited about the growth as we plan to open as many as five locations in 2021.

The youngest member of our "family," Jaggers, also created some positive news last year with the opening of Jaggers in Louisville. The restaurant, which is our third unit, opened to rave reviews and long lines. Not sure which came first… the reviews or lines, but the bottom line is the store is rockin' and we are looking at two more Louisville locations. We are seriously exploring franchise development as a potential growth vehicle as well.

International also provided some good vibes. While our franchise partners closed two locations, they opened a restaurant in Korea and one location in Taiwan. Our partners have signed new development agreements for Korea, Brazil, and Puerto Rico, which is a great pipeline for continuing to build our brand internationally.

Another great lesson I learned in both track and in business is that there is always a silver lining in any challenge. It may take a while to identify these bright spots, but they're always there. You just have to find them, which our operators and Support Center team did many times over in 2020.

For example, when our dining rooms were first closed back in March, our operators quickly switched to a Curbside/To-Go model. They went from under 10% of sales for To-Go to 100% as our dining rooms closed. They figured out unique ways to safely serve our guests. The silver lining is that our To-Go sales have stayed above 20% in restaurants that have reopened in some capacity.

The rollout of our new app and a number of new initiatives that made for contactless pick-up and pay are also silver linings. For example,

RECENT HIGHLIGHTS:

22 company restaurant openings

Retail launch of Margarita Mixer

260,000 app downloads from guests redeeming gift cards

Text2Go, which allows for curbside pick-up without getting out of the car and Text2Page, a two-way communication between the guest and staff that allows us to page guests on their phone when their table is ready. These and many more features are allowing us to get faster and more efficient at both in-dining and To-Go sales.

Our I.T. Department ensured that gift cards could be redeemed on our app, which was another silver lining. With the success of our gift cards, this new feature led to over 260,000 downloads of our app after the holiday season from gift card redemptions.

We were also one of the first restaurants to join the Ecolab Science Certified© program, which is a rigorous science-based cleaning program based on passing an independent audit performed by Ecolab. As of today, over 600 of our restaurants can now display the official Ecolab Science Certified© seal, which will provide additional confidence to our guests and employees.

A notable highlight for the year was Veterans Day. Despite the fact that the majority of our dining rooms were closed, our operators did not hesitate to leap this hurdle to make our 10th annual Veterans Day a success. They had every reason to pause this effort, but not surprisingly, they chose to press forward in their typical way. On Veterans Day, our restaurants turned their parking lots into drive-thru celebrations for veterans to pick up their meal vouchers, which allowed them to dine in later or choose To-Go at their convenience. Their willingness to make this celebration happen regardless of the situation speaks volumes about the character of our people and their ability to overcome challenges.

We also launched several new low-risk initiatives that we believe have great potential. For example, with the success of selling ready-to-grill steaks during the grocery store shortages, we launched Texas Roadhouse Butcher Shop, which is an online mail order steak business. We bring the same great quality and value to the mail order business and we are excited about the early response. I suggest you check it out at TRButchershop.com and taste the difference for yourself.

Another great opportunity is our Texas Roadhouse Margarita Mixer, which hit retail shelves in February. This is an exciting retail opportunity that we think will create brand awareness and could lead to more retail initiatives in the future. We are also launching a canned cocktail seltzer that will be offered in a variety of Texas Roadhouse branded margarita flavors. The seltzers are expected to be in retail locations sometime in 2021.

We also made a number of people decisions that made us a stronger company. First, we added Mike Crawford to our Board of Directors. Mike's business and hospitality experience with the Four Seasons Hotel and Resorts and the Walt Disney Company have been a silver lining during the pandemic, and he will be an asset for many more years to come.

In December, we named Jerry Morgan as President of Texas Roadhouse. Jerry brings over 30 years of operational experience, amazing leadership skills, and a ton of energy and enthusiasm to the role. Having Jerry as President along with our COO, Doug Thompson, and our Regional Market Partners in place, will allow us to make Texas Roadhouse even stronger for the future.

In addition, Mike Schmidt succeeded Jerry Morgan as Regional Market Partner. Mike, a former Managing Partner of the Year, started as a busser with Texas Roadhouse and now oversees more than 100 stores. What an inspiration to other Roadies who aspire to grow in their careers at Texas Roadhouse.

I wish I could personally name each Roadie who helped us jump many hurdles last year, which allowed us to finish stronger than many could have ever imagined. I want to thank you for your passion, your partnership, and your commitment to our culture. I have no doubt that we will look back at 2020 as a pivotal year in the history of our company. A year in which a foundation with many silver linings was laid.

Surprisingly, I am going to finish my letter with a quote from a famous poet. What I know about poets and poetry could fit in a thimble, but a quote by T.S. Eliot that was recently shared with me sums up the past year at Texas Roadhouse.

"ONLY THOSE WHO RISK GOING TOO FAR... FIND OUT HOW FAR THEY CAN GO."

T.S. ELIOT

Thanks to all who went far, and now we know how far we can go in 2021 and beyond.

KEEP ON ROCKIN'

Kent Taylor
Founder, CEO and Chairman of the Board

Jaggers opens in Louisville

TR Butcher Shop launches

Jerry Morgan named President

DEAR SHAREHOLDERS,

THIS ADDENDUM IS WRITTEN WITH A HEAVY HEART.

As we were preparing to go to print on the 2020 Annual Report, we learned of the passing of our Founder, CEO and Chairman of the Board, Kent Taylor.

After a battle with post-Covid related symptoms, including severe tinnitus, Kent Taylor took his own life on March 18, 2021. Kent battled and fought hard like the former track champion that he was, but the suffering became unbearable as it greatly intensified in the days leading up to his passing.

Our company and the restaurant industry lost a visionary and legend and the Taylor family lost a wonderful son, father, and grandad.

If you have not read his letter on the previous pages, I encourage you to do so as it was classic Kent Taylor. It was straight to the point and from his heart. His passion for Texas Roadhouse, our people, and our future is clear.

As you will read in the letter, Kent left us well-positioned for the future. All three brands have momentum with his own hand-picked team in place to grow in 2021 and beyond. The new retail initiatives are also being well-received and we believe there is a bright future ahead on the retail front.

Kent left us with a best-in-class Board of Directors, a pipeline of company leaders, over 600 Managing Partners, and tens of thousands of Roadies who are committed to carry on "the dance" Kent started back in 1993 with the opening of the first Texas Roadhouse.

Continuing that dance includes staying committed to being a people-first company and being true to our mission of Legendary Food, Legendary Service®.

Kent created a company built on partnership and providing operational and entrepreneurial freedom through the Managing Partner program. The MP model has taught hundreds of Managing Partners how to own a restaurant rather than just run a restaurant.

He also made it safe for operators to try and fail since he often said he learned more from failures than successes. He spent many hours gathering ideas and feedback from operators as the Managing Partners were and always will be the center of our universe.

All who knew him will miss him greatly and those who worked with him were truly blessed to have spent time learning from him. Like a true leader, he was always teaching and coaching.

We will take those lessons with us as we continue to love our people, serve our guests, partner with our vendors, grow our company, and stay true to Kent's vision and entrepreneurial spirit.

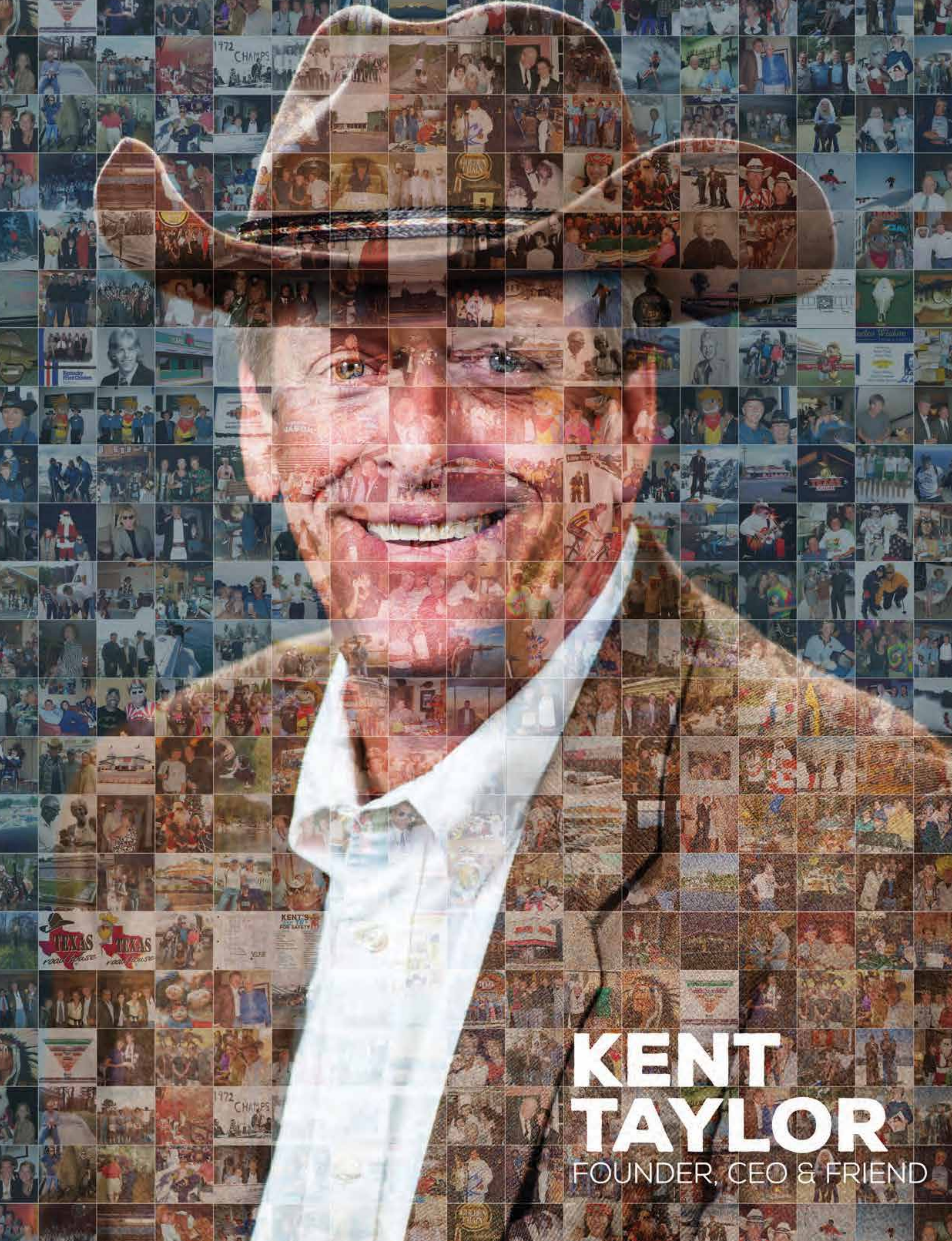
As we continue to grieve, I have no doubt that we will heal together and become stronger as we work through the pain.

We will also work to keep Kent's legacy alive by pushing ourselves and others in order to win together! And together, we will stay committed to being Roadhouse Strong – no matter the obstacles or hurdles that lie ahead.

Your partner,

Jerry Morgan

Chief Executive Officer and President


KENT
TAYLOR
FOUNDER, CEO & FRIEND

Service with Heart

April 2, 2021

To our Shareholders:

You are cordially invited to attend the 2021 Annual Meeting of Shareholders of Texas Roadhouse, Inc. on Thursday, May 13, 2021. The meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky at 9:00 a.m. eastern daylight time.

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

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

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

Sincerely,

Gerald L. Morgan
Chief Executive Officer and President

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

NOTICE OF 2021 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 13, 2021

To our Shareholders:

The 2021 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 13, 2021 at 9:00 a.m. eastern daylight time.

At the Annual Meeting, you will be asked to:

- elect five directors to the Board of Directors of the Company, each for a term of one year;
- ratify the appointment of KPMG LLP as the Company's independent auditors for the Company's 2021 fiscal year;
- hold an advisory vote on executive compensation;
- approve the Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan; and
- transact such other business as may properly come before the Annual 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 15, 2021 are entitled to receive notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

Christopher C. Colson
Corporate Secretary

Louisville, Kentucky

April 2, 2021

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2021 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 13, 2021: OUR ANNUAL REPORT CONTAINING OUR PROXY STATEMENT RELATED TO OUR 2021 ANNUAL MEETING OF SHAREHOLDERS AND FORM 10-K FOR THE FISCAL YEAR ENDED ON DECEMBER 29, 2020 IS AVAILABLE ON OUR WEBSITE AT *WWW.TEXASROADHOUSE.COM* IN THE INVESTORS SECTION.

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PROXY STATEMENT

2021 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 13, 2021

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

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 2021 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 2, 2021.

The Annual Meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 13, 2021 at 9:00 a.m. eastern daylight time, for the purposes set forth in this proxy statement and the accompanying notice of the Annual Meeting.

SUMMARY OF MATTERS REQUIRING SHAREHOLDER ACTION

Proposal 1: Election of Directors

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

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

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE NOMINEES.

Proposal 2: Ratification of Independent Auditors

The proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 28, 2021 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.

Proposal 4: Approval of Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan

The proposal to approve the Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan detailed in this proxy statement 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 Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan, 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 Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan.

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, then 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 15, 2021. 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 69,712,235 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, Christopher C. Colson, the Corporate Secretary of the Company, at the Company's main office address located at 6040 Dutchmans Lane, Louisville, Kentucky 40205 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 by 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), the approval of the Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan (Proposal 4), 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 either Proposal 3 or Proposal 4.

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, then 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.

Director Summaries

<table>
<tr><td>Michael A. Crawford</td><td>Business Experience:

Mr. Crawford is currently serving as Chairman of the Board, President and Chief Executive Officer for Hall of Fame Resort & Entertainment Company (NASDAQ: HOFV) and its subsidiaries, including Hall of Fame Village powered by Johnson Controls, which he joined in December 2018. Hall of Fame Resort & Entertainment Company is a sports, entertainment, and media enterprise headquartered in Canton, Ohio which was established in 2020 as a result of a merger between HOF Village, LLC., a partnership between the Pro Football Hall of Fame and Industrial Realty Group (IRG) which began in 2016 and Gordon Pointe (GPAQ) Acquisition Corp. From 2014 to 2018, Mr. Crawford held numerous executive positions with the Four Seasons Hotels and Resorts Company, starting as the President of Asia Pacific and subsequently becoming Global President of Portfolio Management. While at Four Seasons, he was responsible for business and capital planning, along with the design and construction of all new Four Seasons Hotels and Resorts worldwide. Prior to Four Seasons, Mr. Crawford spent almost 25 years at the Walt Disney Company (NYSE: DIS) where he rose to Senior Vice President and General Manager of Shanghai Disney Resort and President of Shanghai’s Walt Disney Holdings Company.</td></tr>
<tr><td>Director Since: 2020

Age: 53

Board Committees / Leadership:
Audit Committee, Compensation Committee, and Nominating & Corporate Governance Committee

Public Boards:
Hall of Fame Resort & Entertainment Company (NASDAQ: HOFV)</td><td>Reason for Nomination:

Mr. Crawford is being nominated as a non-employee director because of his chief executive experience, his hospitality and international experience, and his strategic planning experience. As a result of these and other professional experiences, Mr. Crawford possesses particular knowledge and experience that strengthens the Board’s collective qualifications, skills, and experience.</td></tr>
</table>

Gregory N. Moore	**Business Experience:**
Director Since: 2005 ***Age:*** 71 ***Board Committees / Leadership:*** Audit Committee, Compensation Committee, and Nominating & Corporate Governance Committee; Chairman of the Board; International Liaison; Chairperson of Audit Committee ***Public Boards:*** None.	Mr. Moore 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 both the audit and nominating and corporate governance committees, and serves on the compensation committee. Mr. Moore also serves on the board of EF&TRH Restaurants (HK) Holding Limited, a Texas Roadhouse, Inc. joint-venture in China. **Reason for Nomination:** Mr. Moore is being nominated as a non-employee director because of his extensive financial, accounting, and international 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.

Curtis A. Warfield	**Business Experience:**
Director Since: 2018 ***Age***: 52 ***Board Committees / Leadership:*** Audit Committee, Compensation Committee, and Nominating & Corporate Governance Committee; Chairperson of Nominating & Corporate Governance Committee ***Public Boards:*** None.	Mr. Warfield is a certified public accountant and is currently the President and Chief Executive Officer of Windham Advisors LLC, a private equity and strategic advisory firm that offers innovative business solutions for companies in the technology, healthcare, and other industries. He served as part of the senior leadership team of Anthem, Inc. one of the nation's largest health insurers with over $100 billion in revenues from 2017 to 2019. As a senior executive at HCA, the largest healthcare provider in the country, from 1997 to 2016 he served in a variety of roles. He began as the Chief Financial Officer of the Columbia Healthcare Network with a majority of his tenure serving as the Chief Executive Officer of NPAS, a healthcare services company. **Reason for Nomination:** Mr. Warfield is being nominated as a non-employee director because of his extensive financial and accounting experience, his executive management experience, and his information technology experience. As a result of these and other professional experiences, Mr. Warfield possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills, and experience.

Kathleen M. Widmer	**Business Experience:**
Director Since: 2013 ***Age:*** 59 ***Board Committees / Leadership:*** Compensation Committee and Nominating & Corporate Governance Committee ***Public Boards:*** None.	Ms. Widmer is the Company Group Chair for Consumer North America and Latin America with Johnson & Johnson Consumer Health, a position she has held since December 2018. Prior to this position, she served as the President of the Johnson & Johnson Consumer OTC division, which provides healthcare solutions through well-known and trusted over-the-counter medicines and products, a position she held from August 2015. She was previously with Johnson & Johnson for 21 years, until 2009, where she held numerous positions, including serving as Vice President, Marketing, McNeil Consumer Healthcare. Prior to re-joining Johnson & Johnson, she served as Executive Vice President and Chief Marketing Officer at Elizabeth Arden, Inc., from 2009 to 2015, and was responsible for the global growth strategy and marketing execution of the Elizabeth Arden Brand. In 2017, she was appointed to the board of directors for the Wounded Warrior Project. She is a graduate of the U.S. Military Academy in West Point, New York, and served for five years as a U.S. Army officer. **Reason for Nomination:** Ms. Widmer is being nominated as a non-employee director because of her executive management experience, 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	**Business Experience:**
Director Since: 2004 ***Age:*** 76 ***Board Committees / Leadership:*** Audit Committee, Compensation Committee, and Nominating & Corporate Governance Committee; Chairperson of Compensation Committee ***Public Boards:*** None.	Mr. Zarley 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. **Reason for Nomination:** Mr. Zarley is being nominated as a non-employee director because of his chief executive and information technology experience in a developing industry, his technology experience, and his transactional experience. As a result of these and other professional experiences, Mr. Zarley possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills, and experience.

Meetings of the Board

The Board met on nine occasions and its standing committees (audit committee, compensation committee, and nominating and corporate governance committee) met on 29 occasions during our fiscal year ended December 29, 2020. 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 2020 annual meeting. Four regular Board meetings are currently scheduled for the 2021 fiscal year. Executive sessions of non-employee directors, without management directors or employees present, are typically scheduled in conjunction with each regularly scheduled Board meeting. The role of each standing committee is more fully described below.

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

Leadership Structure. Following the passing in March 2021 of W. Kent Taylor, the Company's founder, Chairman of the Board and Chief Executive Officer at the time of his death, the Board consists of five independent directors. On March 19, 2021, the Board named Gregory N. Moore as Chairman of the Board. Mr. Moore joined the Board in 2005 following the Company's initial public offering in 2004. Until his appointment as Chairman of the Board, Mr. Moore had served as the Board's Lead Director since the creation of that position in 2012. The responsibility and authority of the Lead Independent director are delineated in our Corporate Governance Guidelines, which can be found on the Company's website at *www.texasroadhouse.com.* The Board determined that a separation of the duties and responsibilities of the Chairman of the Board from those of the Chief Executive Officer was appropriate during the transition following the death of the Company's founder.

Risk Oversight. 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 committee and compensation committee.

Through the audit committee's charter, the Board has authorized the audit committee to oversee the Company's risk assessment and risk management policies. The audit committee, in fulfilling its oversight responsibilities, regularly and comprehensively reviews specific risk matters which have been identified by management. The Company's internal auditors regularly report directly to the audit committee on the results of internal audits, the scope and frequency of which are based on comprehensive risk assessments which have been approved by the audit committee. Additionally, a risk committee comprised of Company management regularly updates the audit committee on the results of its risk management activities, which are based on the Company's prioritized risk overview that is updated at least annually and reviewed with the audit committee. The audit committee is routinely advised of strategic, operational, financial, legal, cybersecurity, and other business 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 and internal controls (as and if applicable).

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

The audit committee and the compensation committee jointly perform an annual risk assessment of our compensation programs for all employees to determine whether these programs encourage unnecessary or excessive risk taking. In conducting this review, each of our compensation programs is evaluated on a number of criteria aimed at identifying any incentive programs that deviate from our risk management objectives. Based on this review in 2020, 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, allow the Board to effectively administer risk management policies while also effectively and efficiently addressing Company objectives. The Board expects to continue to involve Company management in its deliberations and decision-making in order to administer risk management policies effectively.

Strategic Planning and Strategic Initiatives. The Board also plays an instrumental oversight role in the strategic planning and initiatives of the Company. As a part of this role, the Board reviews annually the Company's strategy with management to ensure that the Company and the Board are aligned on the long-term goals and strategic initiatives of the Company. Additionally, the Board conducts periodic review of the manner in which the Company is allocating its capital to ensure that the Board and the management of the Company are in agreement on how the Company is managing its asset portfolio. Finally, the Board provides direct oversight over certain other strategic initiatives or transactions implemented by the Company, including franchise acquisitions, retail or other business development initiatives, and the Company's share repurchase activities (as applicable).

Corporate Sustainability. Both the Board and the Company take great pride in our environmental, social, and governance efforts – specifically our corporate sustainability program and our appreciation for and commitment to our employees and for the community. Our commitment is evident from our long history of dedication to corporate citizenship, diversity, and the manner in which we often consider sustainability as part of our decision-making process. In furtherance of the foregoing, the Board reviews the Company's corporate sustainability initiatives as a part of their oversight role of the Company's business strategy and risk management. In particular, the Board receives periodic updates, at least annually, of our corporate sustainability initiatives from management. Additionally, the Company includes an update on some of these initiatives in the Company's Annual Report.

Committees of the Board

The Board has three standing committees:

(i) the audit committee;

(ii) the compensation committee; and

(iii) 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 our website at *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, which is elected annually by a majority of the Board. Mr. Moore currently serves as the Board's International Liaison. The duties and responsibilities of International Liaison are delineated in our Corporate Governance Guidelines but include, without limitation, (i) overseeing the Company's efforts in international expansion and reporting to the Board on those efforts, (ii) traveling with certain members of management to proposed international locations and markets (as needed) and to meet proposed international business partners where appropriate, (iii) meeting with the Company's compliance team regarding the required anti-bribery and corruption due diligence review on any proposed international business partner, and (iv) reviewing on behalf of the Board all new proposed international development or franchise agreements.

Audit Committee. As described in its charter, the primary purpose of the audit committee is to assist the Board in fulfilling its oversight responsibility relating to:

(i) the integrity of the Company's consolidated financial statements;

(ii) the Company’s compliance with legal and regulatory requirements;

(iii) the independence and performance of the Company’s internal and external auditors; and

(iv) the Company’s internal controls and financial reporting practices.

The audit committee is also directly responsible for the following: (a) pre-approving all audit and permitted non-audit related services provided by our independent auditors, (b) the appointment, compensation, retention, and oversight of the Company’s independent auditors, and (c) periodically evaluating whether the Company should rotate the independent auditors utilized by the Company. In connection with the audit committee’s appointment of the Company’s independent auditors, the audit committee evaluates the service level of the incumbent independent auditor on an annual basis, which includes criteria such as prior year quality of service, industry and technical expertise, independence, resource availability, and reasonableness and competitiveness of fees, as well as solicits the input of key management employees during its evaluation. The audit committee reviews all of the Company’s earnings press releases and Quarterly and Annual Reports on Form 10-Q and Form 10-K, respectively, prior to filing with the Securities and Exchange Commission (the “***SEC***”). The audit committee is also responsible for producing an annual report on its activities for inclusion in this proxy statement. All of the members of the audit committee are “independent,” as that term is defined in the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the SEC. The audit committee is currently comprised of Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Moore currently chairs the audit committee. The Board evaluated the credentials of and designated Messrs. Moore and Warfield as audit committee financial experts. The audit committee met 16 times during fiscal year 2020, which were comprised of six regular meetings of the audit committee, two meetings per quarter relating to the audit committee’s review of the Company’s filings with the SEC, and two special meetings to discuss emerging events which occurred between regularly scheduled meetings.

Compensation Committee. As described in its charter, the compensation committee:

(i) assists the Board in fulfilling its responsibilities relating to the design, administration and oversight of employee compensation programs and benefit plans of the Company’s executive officers;

(ii) discharges the Board’s duties relating to the compensation of the Company’s executive officers and non-employee directors; and

(iii) reviews the performance of the Company’s executive officers.

The compensation committee is also responsible for reviewing and discussing with management the “Compensation Discussion and Analysis” in this proxy statement and recommending its inclusion in this proxy statement to the Board. All of the members of the compensation committee are “independent” under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The current members of the compensation committee are Ms. Widmer and Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Zarley currently chairs the compensation committee. The compensation committee met eight times during fiscal year 2020.

Nominating and Corporate Governance Committee. As described in its charter, the nominating and corporate governance committee assists the Board in:

(i) identifying potential candidates for consideration in the event of vacancy on the Board and/or the Board determines that a new director is necessary and screen individuals qualified to become members of the Board consistent with the nominating and corporate governance committee’s screening guidelines and criteria;

(ii) if a vacancy on the Board occurs, making recommendations to the Board regarding the selection and approval of the candidate to fill such vacancy either by election by the Company’s shareholders or appointment by the Board;

(iii) reviewing the qualifications and independence of, approving the nominations of, and recommending to the Board those persons to be nominated for membership on the Board and presented for shareholder approval at the annual meeting; and

(iv) developing and recommending to the Board a set of corporate governance principles.

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. To assist in this process, the nominating and corporate governance committee has identified certain interpersonal skills and professional skills desirable for some and/or all of the directors on the Board. The interpersonal skills are personal attributes that each director should possess and include ethics and integrity, leadership skills, negotiation skills, and crisis management skills. The professional skills are an assessment of governance and industry based skill areas which should be held collectively by the Board but not necessarily by each director and contain skills relating to (i) financial, risk, and compliance skills, (ii) governance and management skills, and (iii) sector and industry specific skills. 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. Crawford, Moore, Warfield, and Zarley. Mr. Warfield currently chairs the nominating and corporate governance committee, while Mr. Moore previously chaired the nominating and corporate governance committee until transitioning the position to Mr. Warfield in August 2020. The nominating and corporate governance committee met five times during fiscal year 2020.

Policy Regarding Consideration of Candidates for Director

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

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

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

On June 25, 2020, the nominating and corporate governance committee recommended to the Board that the number of directors be increased by one and that Mr. Crawford be appointed to the Board as an independent director; the Board approved this recommendation. Mr. Crawford was referred to the nominating and corporate governance committee by our corporate recruiter. Following his initial referral for service as a director, Mr. Crawford met extensively with management of the Company and our existing members of the Board prior to the nominating and corporate governance committee's decision to recommend his appointment. Mr. Crawford was nominated as a non-employee director because of his chief executive experience, his hospitality and international experience, and his strategic planning experience.

Compensation of Directors

As further discussed in the "Compensation Discussion and Analysis," the compensation committee engaged Willis Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on the compensation for our executive officers and non-employee directors. In order to supplement this analysis from our compensation consultant, the compensation committee has subsequently used Equilar (the Company's external executive and director compensation database aggregator) to establish the compensation for our non-employee directors, most recently in establishing the fixed dollar amount on service based restricted stock units granted to our non-employee directors more particularly described below. Similar to our compensation philosophy for our executive officers, we believe that issuing service based 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 service based 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 service based restricted stock units. Moreover, we believe that the service based restricted stock unit awards drive director alignment with maximizing shareholder value because the value of the service based restricted stock units varies in response to investor sentiment regarding overall Company performance at the time of vesting.

As described more fully below, the following table summarizes the total compensation earned for fiscal year 2020 for each of the non-employee directors.

2020 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Grant Date Fair Value of Stock Awards ($)(2)	Total ($)
Michael A. Crawford	0	106,365(3)	106,365
Gregory N. Moore	43,250(4)	184,734	227,984
Curtis A. Warfield	13,250(5)	184,734	197,984
Kathleen M. Widmer	9,750	184,734	194,484
James R. Zarley	15,250(6)	184,734	199,984

(1) On April 6, 2020, each non-employee director of the Board agreed to forgo 100% of their cash compensation relating to their respective service on the Board and any Board committees for the period commencing April 1, 2020 and continuing thereafter for the remainder of the 2020 fiscal year. Additionally, upon Mr. Crawford's appointment to the Board on June 25, 2020, he similarly agreed to forgo 100% of his cash compensation relating to his service on the Board and any Board committees for the remainder of the 2020 fiscal year.

(2) In November 2019, the compensation committee and the Board elected to restructure the equity component for each non-employee director's total compensation. Accordingly, the compensation committee and the Board agreed that with respect to each non-employee director's 2020 fiscal year service, each shall receive an annual grant of service based restricted stock units equal to $185,000 divided by the closing sales price of the Company's common stock on the Nasdaq Global Select Market on the trading day immediately preceding the date of the grant, with such quotient rounded up or down to the nearest 100 shares.

For the service based restricted stock units described in this footnote (2), fair value is equal to the closing price of the Company's common stock on the trading day immediately preceding the date of the grant, which was $55.98 for the grants to the non-employee directors on January 8, 2020. Using the formula described in the immediately foregoing paragraph of this footnote (2), each non-employee director (other than Mr. Crawford) was granted 3,300 service based restricted stock units for their respective 2020 fiscal year service. The amounts listed above represent the grant date fair value determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("***ASC 718***") of restricted stock units granted under the Company's 2013 Long-Term Incentive Plan. Detailed information under ASC 718 is set forth in Note 15 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended

December 29, 2020. No other equity awards were granted to the non-employee directors during the period of time covered by this table nor were any outstanding at the end of the 2020 fiscal year. The Company cautions that the amounts reported in the Director Compensation Table for these awards may not represent the amounts that the non-employee directors will actually realize from the awards. Whether, and to what extent, a non-employee director realizes value will depend on fluctuation in the Company's stock price and the non-employee director's continued service on the Board.

Additionally, 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 equity granted to such non-employee director in that fiscal year.

(3) Upon Mr. Crawford's appointment to the Board on June 25, 2020, he was granted 1,900 service based restricted stock units, which represents the prorated amount of service based restricted stock units granted to the other non-employee directors on January 8, 2020 as described in footnote (2) above.

(4) As described above, each non-employee director waived 100% of their cash compensation for service on the Board and any Board committees for the period commencing April 1, 2020 and continuing thereafter for the remainder of the 2020 fiscal year. This amount includes the paid portion of the $20,000 annual fee for serving as the Lead Independent director, the $20,000 annual fee for serving as the chairperson of the audit committee, the $70,000 annual fee for serving as the International Liaison, and the prorated $8,000 annual fee for his partial service as the chairperson of the nominating and corporate governance committee.

(5) As described above, each non-employee director waived 100% of their cash compensation for service on the Board and any Board committees for the period commencing April 1, 2020 and continuing thereafter for the remainder of the 2020 fiscal year. In August 2020, Mr. Warfield was appointed the chairperson of the nominating and corporate governance committee. Since he had already elected to forgo his cash compensation, Mr. Warfield did not receive any portion of the prorated $8,000 annual fee for his partial service as the chairperson of the nominating and corporate governance committee.

(6) As described above, each non-employee director waived 100% of their cash compensation for service on the Board and any Board committees for the period commencing April 1, 2020 and continuing thereafter for the remainder of the 2020 fiscal year. This amount includes the paid portion of the $10,000 annual fee for serving as the chairperson of the compensation committee.

Prior to each non-employees director's election to forego their respective cash compensation described in footnote (1) above, the compensation committee established that all non-employee directors would have received the following cash compensation relating to their 2020 fiscal year service:

(i) each non-employee director would have received a base fee of $25,000;

(ii) the Lead Independent director would have received a fee of $20,000;

(iii) the chairperson of the audit committee would have received a fee of $20,000;

(iv) the chairperson of the compensation committee would have received a fee of $10,000;

(v) the International Liaison would have received a fee of $70,000;

(vi) the chairperson of the nominating and corporate governance committee would have received a fee of $8,000;

(vii) each non-employee director would have 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; and

(viii) each non-employee director would have 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.

Following his appointment as Chairman of the Board in March 2021 and commencing effective as of March 31, 2021, Mr. Moore will no longer receive a fee as the Lead Independent director but will be compensated at an annual rate of $45,000 for his service as Chairman of the Board.

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 at *www.texasroadhouse.com*. The Company will post amendments to, or waivers from, its Code of Conduct, if any, that apply to the principal executive officer and the principal financial officer on its website.

Stock Ownership Guidelines

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

All executive officers and non-employee directors who have been in their role for five years are in compliance with these stock ownership 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.

Succession Planning

The Board and the Company recognize the importance of continuity of leadership to ensure a smooth transition for its employees, customers, and shareholders. In furtherance of the foregoing and as described in its charter, the nominating and corporate governance committee is responsible for periodically reporting to the Board the status of succession planning for senior management, including guidance regarding succession in the event of an emergency and/or retirement and the evaluation of potential successors to the executive officers and other key members of senior management. As a part of this process, both the Board and the nominating and corporate governance committee meet with certain members of management to review the top and emerging talent internally, their level of readiness, and development needs.

Mandatory Retirement Age for Board Service

In November 2019, the Board and the nominating and corporate governance committee determined that it is advisable and in the best interest of the Company to establish a mandatory retirement age for the non-employee directors on the Board. In furtherance of the foregoing, in no event shall any non-employee be elected, re-elected, and/or appointed to the Board if such non-employee is 75 years or older at the time of such election, re-election, and/or appointment; provided, however, any director who began serving on the Board prior to 2006 shall be permitted to be re-elected to the Board so long as he is not 80 years or older at the time of such re-election.

STOCK OWNERSHIP INFORMATION

The following table sets forth as of March 1, 2021 certain information with respect to the beneficial ownership of the Company's common stock of (i) each executive officer named in the Summary Compensation Table (the "***Named Executive Officers***"), (ii) each non-employee director or nominee for director of the Company, (iii) all directors and current executive officers as a group, and (iv) each shareholder known by the Company to be the owner of 5% or more of the Company's common stock.

	Common Stock(1)	
Name	**Common Stock Ownership**	**Percent**
Directors, Nominees and Named Executive Officers:		
W. Kent Taylor(2)	3,106,295	4.46%
Michael A. Crawford	1,900	*
S. Chris Jacobsen	17,781	*
Gregory N. Moore	76,850	*
Gerald L. Morgan	64,269	*
Tonya R. Robinson	11,476	*
Doug W. Thompson	50,694	*
Curtis A. Warfield	6,875	*
Kathleen M. Widmer	13,220	*
James R. Zarley	126,943	*
Directors and All Executive Officers as a Group (10 Persons)	3,476,303	4.99%
Other 5% Beneficial Owners**		
Blackrock, Inc.(3) 55 East 52nd Street New York, New York 10022		12.1%
The Vanguard Group(4) 100 Vanguard Boulevard Malvern, Pennsylvania 19355		8.78%
Melvin Capital Management LP(5) 535 Madison Avenue, 22nd Floor New York, New York 10022		5.3%

* 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, 2021.

(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. As of March 1, 2021, no director or executive officer has the right to acquire any beneficial ownership within 60 days. "***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) Mr. Taylor passed away on March 18, 2021.

(3) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on January 27, 2021, it has sole voting power with respect to 8,169,590 shares and sole dispositive power with respect to 8,426,459 shares.

(4) As reported on the Schedule 13G/A filed by The Vanguard Group with the SEC on February 10, 2021, it has shared voting power with respect to 151,300 shares, sole dispositive power with respect to 5,897,691 shares, and shared dispositive power with respect to 204,821 shares.

(5) As reported on the Schedule 13G/A filed by Melvin Capital Management LP with the SEC on February 16, 2021, it has shared voting power with respect to 3,700,000 shares and shared dispositive power with respect to 3,700,000 shares.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all reports were filed on a timely basis during the fiscal year ended December 29, 2020, with the exception of a Form 4 for Ms. Robinson that was filed on August 3, 2020 reporting the sale of 3,084 shares on July 29, 2020 pursuant to a written non-discretionary Rule 10b5-1 plan.

EXECUTIVE COMPENSATION

2020 EXECUTIVE SUMMARY

The following is an executive summary of our compensation program for our 2020 fiscal year:

Compensation Philosophy

- We believe that our approach to the compensation program for our Named Executive Officers provides our Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our Named Executive Officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

Pay Objectives

- Our primary objective in setting and evaluating the compensation for our Named Executive Officers is to promote the sustained profitability of the Company. Our compensation program is designed to achieve this objective in the following manner:
  - The creation of a more direct relationship between the compensation for our Named Executive Officers and shareholder value since a significant portion of our Named Executive Officer's performance based restricted stock units and cash bonuses are based upon the achievement of defined performance goals to be established by the compensation committee.
  - The attraction and retention of top talent, while also encouraging our Named Executive Officers to keep their focus on both long-term business development and short-term financial growth.
  - The featuring of service based restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock.
  - The opportunity by the compensation committee to adjust a significant portion of the compensation for the Named Executive Officers through the annual grant of service based restricted stock units and/or performance based restricted stock units to more accurately reflect the overall performance of the Company.

Key Pay Components

- The compensation packages for our Named Executive Officers are divided into the following three key components:
  - Base Salary: Designed to provide a secure base of compensation and serve to motivate and retain our Named Executive Officers.
  - Cash Bonus: 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 and its overall pre-tax profit, and for each Named Executive Officer's individual contribution to that success.
  - Restricted Stock Unit Grants: Designed to 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 include the following types of restricted stock units:

- Service Based Restricted Stock Units, which grant the Named Executive Officers the conditional right to receive shares of our common stock that vest after a defined period of service;

- "Retention" Restricted Stock Units, which vest upon the completion of the term of an individual Named Executive Officer's agreement or such longer date as determined by the compensation committee; and

- Performance Based Restricted Stock Units, which are calculated based on the achievement of certain Company performance targets established by the compensation committee and vest over a period of service.

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

Setting Compensation

- The compensation program for our Named Executive Officers is determined by the compensation committee.

- The compensation committee evaluates the stock compensation for each Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole.

2021 Employment Agreements

- As more particularly described below, the Named Executive Officers have recently entered into new 2021 Employment Agreements.

- Under the 2021 Employment Agreements, the compensation committee has established the following compensation for our Named Executive Officers:

  - Base Salary: Each 2021 Employment Agreement establishes an annual base salary for the term of the respective 2021 Employment Agreements, with base salary increases being left to the discretion of the compensation committee.

  - Cash Bonus: Each 2021 Employment Agreement provides an annual short-term cash incentive opportunity with a target bonus based on the achievement of defined goals to be established by the compensation committee, with increases in the target bonus amount to be made at the discretion of the compensation committee during the term of the 2021 Employment Agreement.

  - Restricted Stock Units: Each 2021 Employment Agreement provides that the compensation committee may grant stock awards to the Named Executive Officers during the term of the respective 2021 Employment Agreements, the types and amounts of which are subject to the compensation committee's discretion based on their annual review of the performance of the Company and of the individual Named Executive Officers. While the Company previously granted retention grants for our Named Executive Officers under the 2018 Employment Agreements, the compensation committee did not make any similar retention grants for the Named Executive Officers under the 2021 Employment Agreements. The compensation committee will evaluate whether or not to award retention grants in the future as a part of its annual evaluation of the compensation packages for the Named Executive Officers.

Compensation Discussion and Analysis

The Company's compensation committee reviews and establishes executive compensation in connection with each executive officer's employment agreement. As one purpose of this discussion is to present the compensation committee's overall program and philosophy for executive compensation, we have generally presented the discussion as of the end of the prior fiscal year and as of the beginning of the current fiscal year without taking into account the March 2021 death of Mr. Taylor.

We entered into new employment agreements with W. Kent Taylor, Doug W. Thompson, Tonya R. Robinson, and S. Chris Jacobsen, each a Named Executive Officer, on December 30, 2020, each of which has an effective date of January 8, 2021. As a part of Gerald L. Morgan's appointment to President, we entered into a new employment agreement with Mr. Morgan, a Named Executive Officer, on December 17, 2020, which has an effective date of January 8, 2021. In connection with Mr. Morgan's appointment to President, Mr. Taylor resigned as President while still remaining as Chairman and Chief Executive Officer of the Company. Additionally, on March 18, 2021 and consistent with the Board's succession planning, Mr. Morgan was named Chief Executive Officer of the Corporation following Mr. Taylor's death. Mr. Morgan remains the President of the Corporation following his appointment to Chief Executive Officer. As used herein, the employment agreements with Messrs. Taylor, Morgan, Jacobsen, and Thompson, and Ms. Robinson entered into during December 2020 (as applicable) shall be referred to collectively as the "***2021 Employment Agreements***" and with respect to any Named Executive Officer, as a "***2021 Employment Agreement***." Each 2021 Employment Agreement establishes an initial three-year term which automatically renews for successive one-year terms thereafter unless either party elects not to renew by providing written notice to the other party at least 60 days before expiration.

Additionally, during fiscal year 2020, (i) each of Messrs. Taylor and Jacobsen were party to employment agreements dated December 26, 2017, each of which expired on January 7, 2021, (ii) Ms. Robinson was party to an employment agreement dated June 11, 2018, which expired on January 7, 2021, and (iii) Mr. Thompson was party to an employment agreement dated August 23, 2018, which expired on January 7, 2021. As used herein, the employment agreements with Messrs. Taylor, Jacobsen, and Thompson, and Ms. Robinson entered into during 2018 (as applicable) shall be referred to collectively as the "***2018 Employment Agreements***" and with respect to any Named Executive Officer, as a "***2018 Employment Agreement***." The 2021 Employment Agreements supersede and replace the prior 2018 Employment Agreement with Messrs. Taylor, Thompson, and Jacobsen and Ms. Robinson, and the 2021 Employment Agreement with Mr. Morgan supersedes and replaces his prior regional market partner agreement. Under Mr. Morgan's prior regional market partner agreement and as shown in the Summary Compensation Table below, Mr. Morgan received, without limitation, a base salary and a performance bonus equal to a certain percentage of the pre-tax income of the restaurants which were under the supervision of the market partners that he managed (which percentage varied based on whether the restaurant was a Company restaurant or a franchise restaurant).

To assist in setting compensation under the 2018 Employment Agreements and pursuant to the authority granted under its charter, the compensation committee engaged Willis Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on compensation for the executive officers and the non-employee directors, together with analysis and services related to such executive and director compensation. Specifically, the compensation committee asked the consultant to provide market data, review the design of the executive and director compensation packages, and provide guidance on cash and equity compensation for the Company's executive officers and the non-employee directors. In order to supplement this analysis from our compensation consultant, the compensation committee has subsequently used Equilar (the Company's external executive and director compensation database aggregator) to establish the compensation for our Named Executive Officers under their respective 2021 Employment Agreements. In connection with this process, the chairperson of the compensation committee and management of the Company agreed on a list of the following 12 peer companies to evaluate their executive compensation: BJ's Restaurants, Inc., Bloomin Brands, Inc., Brinker International, Inc., Churchill Downs Incorporated, Cracker Barrel Old Country Store, Inc., Dave & Buster's Entertainment, Inc., Dine Brands Global, Inc., Dunkin' Brands Group, Inc., Papa John's International, Inc., Red Robin Gourmet Burgers, Inc., The Cheesecake Factory Incorporated, and The Wendy's Company. While the compensation committee and management of the Company do not utilize specific market targets when establishing compensation for the Company's executive officers, the chairperson of the compensation committee and management of the Company used the executive compensation from such peer companies as a part of the overall discussion when establishing executive

compensation for the Company's executive officers. Both Willis Towers Watson and Equilar do not currently provide any other services to the Company, and the compensation committee has determined that both Willis Towers Watson and Equilar have sufficient independence from us and our executive officers to allow them to offer objective information and/or advice.

Each 2018 Employment Agreement establishes a base salary throughout the term of the agreement, and a cash incentive bonus amount based on the achievement of defined goals to be established by the compensation committee. In addition to cash compensation, the 2018 Employment Agreements also provide the compensation committee with an opportunity to make annual stock awards to the Named Executive Officers, the types and amounts of which are subject to the compensation committee's discretion based on their annual review of the performance of the Company and of the individual Named Executive Officers. The types of stock awards contemplated by the 2018 Employment Agreements are (i) service based restricted stock units, which grant the Named Executive Officers the conditional right to receive shares of our common stock that vest after a defined period of service, (ii) "retention" restricted stock units, which vest upon the completion of the term of an individual Named Executive Officer's agreement or such later date as determined by the compensation committee, and (iii) performance based restricted stock units, which are calculated based on the achievement of certain Company performance targets established by the compensation committee and vest over a period of service. As of the date of this proxy statement and as more particularly described below, each Named Executive Officer has received an annual grant of service based restricted stock units relating to their 2018 year service (which were granted in 2017 or 2018 [as applicable]), their 2019 year service (which were granted in 2019), and their 2020 year service (which were granted in 2020). Additionally, each of Messrs. Taylor, Thompson, and Jacobsen and Ms. Robinson have received grants of performance based restricted stock units relating to their 2018, 2019 and/or 2020 year service (as applicable). Moreover, each of Messrs. Thompson and Jacobsen, and Ms. Robinson have received "retention" grants of restricted stock units under their respective 2018 Employment Agreements, which vest upon the completion of the term of the agreement on the condition that the applicable Named Executive Officer is still serving the Company on the vesting date. Finally, Mr. Taylor's 2018 Employment Agreement also provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date.

Additionally, each 2021 Employment Agreement establishes an annual base salary for the term of the respective 2021 Employment Agreement. During the term of the 2021 Employment Agreement, base salary increases are at the discretion of the compensation committee; provided, however, none of the Named Executive Officer's base salary may be decreased during the term of the 2021 Employment Agreement except for decreases that are applied generally to the other Named Executive Officers in an amount no greater than 10% over the prior year. Each 2021 Employment Agreement also provides an annual short-term cash incentive opportunity with a target bonus based on the achievement of defined goals to be established by the compensation committee, with increases in the target bonus amount to be made at the discretion of the compensation committee during the term of the 2021 Employment Agreement. In addition to cash compensation, each 2021 Employment Agreement provides that the compensation committee may grant certain stock awards to the Named Executive Officers during the term of the respective 2021 Employment Agreements, the types and amounts of which are subject to the compensation committee's discretion based on their annual review of the performance of the Company and of the individual Named Executive Officers. As of the date of this proxy statement and as more particularly described below, each Named Executive Officer has received an annual grant of service based restricted stock units relating to their 2021 year service. Additionally, each Named Executive Officers has received grants of performance based restricted stock units relating to their 2021 year service. Finally, while the Company previously granted retention grants for our Named Executive Officers under the 2018 Employment Agreements, the compensation committee has not made any similar retention grants for the Named Executive Officers under the 2021 Employment Agreements. The compensation committee will evaluate whether to grant additional retention grants in the future as a part of its annual evaluation of the compensation packages for the Named Executive Officers.

Under both the 2018 Employment Agreements and the 2021 Employment Agreements, each Named Executive Officer has agreed not to compete with us during the term of his or her employment and for a period of two years following his or her termination of employment; provided, however, under the 2018 Employment Agreement only, if the Named Executive Officer's employment is terminated without cause following a change in control, then the Named Executive Officer has agreed not to compete with us through the date of the last payment of the Named Executive Officer's severance payments. Additionally, both the 2018 Employment Agreements and the 2021 Employment Agreements include certain confidentiality, non-solicitation, and non-disparagement provisions. Finally, the 2018 Employment Agreements 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 2021 Employment Agreement contains a similar “clawback” provision setting forth that any compensation paid or payable to the 2021 Employment Agreement or any other agreement or arrangement with the Company shall be subject to recovery or reduction in future payments in lieu of recovery pursuant to any Company clawback policy in effect from time to time, whether adopted before or after the date of the 2021 Employment Agreement.

The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, the Named Executive Officers receive a combination of service based restricted stock units and performance based restricted stock units, with a significant portion of some of the Named Executive Officer’s compensation being tied to the grant of such performance based restricted stock units. By conditioning a significant portion of the Named Executive Officer’s performance based restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our Named Executive Officers more particularly described above, we have created a more direct relationship between compensation and shareholder value. Additionally, by only providing one year’s worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements and by giving the compensation committee the discretion to grant certain stock awards (if any) in its discretion to our Named Executive Officers under the 2021 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the total compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or performance based restricted stock units. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our Named Executive Officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

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

In deciding to continue and modify many of our existing executive compensation practices, our compensation committee considered that the holders of approximately 98% of the votes cast at our 2020 annual meeting on an advisory basis approved the compensation of our Named Executive Officers as disclosed in the proxy statement for the 2020 annual meeting. None of the Named Executive Officers, including Mr. Taylor, participated in the creation of their own compensation packages.

Elements of Compensation

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

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

	2018 (through January 7, 2019) ($)	2019 (through January 7, 2020) ($)	2020 (through January 7, 2021) ($)(i)
W. Kent Taylor Chairman, Chief Executive Officer, Former President(ii)	525,000	525,000	525,000
Doug W. Thompson Chief Operating Officer	450,000	450,000	450,000
Tonya R. Robinson Chief Financial Officer	275,000	300,000	325,000
S. Chris Jacobsen Chief Marketing Officer	300,000	315,000	325,000

(i) As further shown in the Summary Compensation Table below, the Named Executive Officers did not realize the full amount of base salary described in the foregoing table with respect to their 2020 year service. On March 24, 2020 and in light of the COVID-19 pandemic, Mr. Taylor entered into that certain First Amendment to 2018 Employment Agreement whereby Mr. Taylor elected to forgo his base salary and incentive bonus from the pay period beginning March 18, 2020 and continuing through January 7, 2021. Additionally, on April 6, 2020, Messrs. Thompson and Jacobsen and Ms. Robinson entered into a First Amendment to the 2018 Employment Agreement, whereby (A) Mr. Thompson elected to forego his base salary and incentive bonus from the pay period beginning April 1, 2020 and continuing through January 7, 2021, and (B) Mr. Jacobsen and Ms. Robinson elected to forego their respective base salaries for the second quarter of fiscal year 2020 and their respective bonus from the pay period beginning April 1, 2020 and continuing through January 7, 2021.

(ii) As more particularly described above, prior to Mr. Morgan's appointment to President on December 17, 2020, Mr. Taylor served as President of the Company while continuing to serve as Chairman and Chief Executive Officer of the Company. The Board and the compensation committee did not decrease Mr. Taylor's compensation following his resignation as President of the Company because he continued to serve as Chairman and Chief Executive Officer of the Company. As described in the Company's 2020 proxy statement, Mr. Taylor did not receive an increase in his base salary upon his appointment to President to 2019.

Each Named Executive Officer's 2021 Employment Agreement provides that the compensation committee will establish the annual base salary for the Named Executive Officers at the commencement of the term of their respective 2021 Employment Agreement. Pursuant to each Named Executive Officer's 2021 Employment Agreement, the compensation committee established an annual base salary for each Named Executive Officer as shown in the table below. During the term of the respective 2021 Employment Agreement, base salary increases are at the discretion of the compensation committee.

	2021 (starting January 8, 2021) ($)(1)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	525,000
Gerald L. Morgan(2) President	350,000
Doug W. Thompson Chief Operating Officer	450,000
Tonya R. Robinson Chief Financial Officer	325,000
S. Chris Jacobsen Chief Marketing Officer	325,000

(1) After evaluating the impact that the on-going COVID-19 pandemic is having on the Company's financial performance for the remainder of fiscal year 2021, the compensation committee elected to move forward with previously delayed increases in annual base salary for certain named executive officers in the following manner:

(i) effective as of March 31, 2021, Mr. Thompson's annual base salary was increased to $500,000;

(ii) effective as of March 31, 2021, Ms. Robinson's annual base salary was increased to $350,000; and

(iii) effective as of March 31, 2021, Mr. Jacobsen's annual base salary was increased to $350,000.

(2) In consideration for Mr. Morgan's increased duties and responsibilities following his appointment to Chief Executive Officer of the Company, effective as of March 31, 2021, the compensation committee increased Mr. Morgan's base salary to $450,000.

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 Named Executive Officer's individual contribution to that success. It is our belief that a significant amount of each Named Executive Officer's compensation should be tied to the performance of the Company.

Pursuant to the terms of the Texas Roadhouse, Inc. Cash Bonus Plan (the "***Cash Bonus Plan***"), the compensation committee may award an annual cash incentive to the Named Executive Officers, which is the grant of a right to receive a payment of cash that is subject to targets and maximums, and that is contingent on achievement of performance objectives during the Company's fiscal year. These cash incentives are also subject to the terms and conditions of the 2018 Employment Agreements and the 2021 Employment Agreements (as applicable) and reflect each Named Executive Officer's job responsibilities and individual contribution to the success of the Company.

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

to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each Named Executive Officer is entitled. Depending on the level of achievement of the EPS Performance Goal each year, 50% of the incentive bonus may be reduced to a minimum of $0 or increased to a maximum of two times the target amount. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target bonus amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the bonus payable would be 110% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the bonus payable would be 90% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. The remaining 50% of the Named Executive Officers' incentive bonus will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year. The annual profit sharing component allows the Named Executive Officers to participate in a profit sharing pool with other members of the Company's director-level management team. By allowing this level of participation in the Company's overall profits, the compensation committee encourages responsible growth and aligns the interests of the Named Executive Officers with those of other management employees of the Company. This portion of the incentive bonus may be reduced to a minimum of $0 if the Company ceases to be profitable or for other reasons that the compensation committee determines, and may be increased to a maximum of two times the target amount established for each individual participant. Both portions of the incentive bonus can be adjusted downward (but not upward) by the compensation committee in its discretion. Cash incentive bonuses with respect to fiscal year 2020 were paid at 6.58% of the total target amount for all or a portion of the fiscal year in which a Named Executive Officer served in such role, based on a decrease in actual EPS of 81.8% and an actual Profit Sharing Pool of $233,747 calculated on fiscal year 2020 pre-tax profit of $15,583,127.

The actual amounts earned by each Named Executive Officer for fiscal year 2020 are more fully described in "Executive Compensation." The target bonus amount, along with the minimum and maximum bonus amounts, are set forth below:

Executive Incentive Compensation for Fiscal Year 2020

	Target Bonus ($)(i)	Minimum Bonus ($)	Maximum Bonus ($)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	525,000	0	1,050,000
Doug W. Thompson Chief Operating Officer	480,000	0	960,000
Tonya R. Robinson Chief Financial Officer	200,000	0	400,000
S. Chris Jacobsen Chief Marketing Officer	200,000	0	400,000

(i) As further shown in the Summary Compensation Table below, the Named Executive Officers did not realize the full amount of bonus described in the foregoing table. On March 24, 2020 and in light of the COVID-19 pandemic, Mr. Taylor entered into a First Amendment to 2018 Employment Agreement whereby Mr. Taylor elected to forgo his base salary and incentive bonus from the pay period beginning March 18, 2020 and continuing through January 7, 2021. Additionally, on April 6, 2020, Messrs. Jacobsen and Thompson and Ms. Robinson entered into a First Amendment to the 2018 Employment Agreement, whereby (A) Mr. Thompson elected to forego his base salary and incentive bonus from the pay period beginning April 1, 2020 and continuing through January 7, 2021, and (B) Mr. Jacobsen and Ms. Robinson elected to forego their respective base salaries for the second quarter of fiscal year 2020 and their respective bonus from the pay period beginning April 1, 2020 and continuing through January 7, 2021. Due to such amendments to the employment agreements, each of the foregoing Named Executive Officers waived approximately 75% of their incentive bonus for the 2020 fiscal year.

Additionally, each 2021 Employment Agreement provides an annual short-term cash incentive opportunity with a target bonus as set forth in the table below, with increases in the target bonus amount to be made at the discretion of the

compensation committee. During the term of each respective 2021 Employment Agreement, the performance criteria and terms of bonus awards are at the discretion of the compensation committee as described above. Similar to the 2018 Employment Agreements and as further described above, depending on the level of achievement of the goals, the bonus may be reduced to a minimum of $0 or increased to a maximum of two times the base target amount under the current incentive compensation policy of the compensation committee of the Board.

Executive Incentive Compensation for Fiscal Year 2021

	Target Bonus ($)(1)	Minimum Bonus ($)	Maximum Bonus ($)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	525,000	0	1,050,000
Gerald L. Morgan(2) President	350,000	0	700,000
Doug W. Thompson Chief Operating Officer	480,000	0	960,000
Tonya R. Robinson Chief Financial Officer	200,000	0	400,000
S. Chris Jacobsen Chief Marketing Officer	200,000	0	400,000

(1) After evaluating the impact that the on-going COVID-19 pandemic is having on the Company's financial performance for the remainder of fiscal year 2021, on March 31, 2021, the compensation committee elected to move forward with previously delayed increases in target bonus amounts for certain named executive officers in the following manner:

(i) the target bonus for Mr. Thompson relating to the portion of his 2021 fiscal year service commencing on March 31, 2021 and continuing to and through December 28, 2021 is increased to $500,000 and a maximum bonus amount of $1,000,000;

(ii) the target bonus for Ms. Robinson relating to the portion of her 2021 fiscal year service commencing on March 31, 2021 and continuing to and through December 28, 2021 is increased to $250,000 and a maximum bonus amount of $500,000; and

(iii) the target bonus for Mr. Jacobsen relating to the portion of his 2021 fiscal year service commencing on March 31, 2021 and continuing to and through December 28, 2021 is increased to $225,000 and a maximum bonus amount of $450,000.

(2) In consideration for Mr. Morgan's increased duties and responsibilities following his appointment to Chief Executive Officer of the Company, effective as of March 31, 2021, the compensation committee increased Mr. Morgan's target bonus amount to $450,000 and a maximum bonus amount of $900,000 for the portion of his 2021 fiscal year service commencing on March 31, 2021 and continuing to and through December 28, 2021.

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 and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging

unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, the Named Executive Officers receive a combination of service based restricted stock units and/or performance based restricted stock units, with a significant portion of some of the Named Executive Officer's compensation being tied to the grant of such performance based restricted stock units. We believe that the service based restricted stock awards are inherently performance based since their value varies in response to investor sentiment regarding overall Company performance at the time of vesting. Moreover, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements and by giving the compensation committee the discretion to grant certain stock awards (if any) in its discretion to our Named Executive Officers under the 2021 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the total compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or restricted stock units based on the achievement of defined goals to be established by the compensation committee for any and/or all of our Named Executive Officer. Additionally, each 2018 Employment Agreement for Messrs. Thompson and Jacobsen, and Ms. Robinson provide for a "retention" grant of restricted stock units, which vest upon completion of the term of their 2018 Employment Agreement on the condition that the applicable Named Executive Officer is still serving the Company on the vesting date, and Mr. Taylor's 2018 Employment Agreement provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date. While the Company previously granted retention grants for our Named Executive Officers under the 2018 Employment Agreements, the 2021 Employment Agreements do not include any similar retention grants. The compensation committee will evaluate whether to grant additional retention grants in the future as a part of its annual evaluation of the compensation packages for the Named Executive Officers.

In addition, the 2018 Employment Agreements for Messrs. Taylor, Thompson, and Jacobsen and Ms. Robinson contain bifurcated awards of service based restricted stock units and performance based restricted stock units for all or a portion of the term of their respective 2018 Employment Agreements, while the 2021 Employment Agreements for Messrs. Taylor, Morgan, Thompson, and Jacobsen and Ms. Robinson permit the compensation committee to grant in its discretion any combination of service based restricted stock units and/or performance based restricted stock units for any portion of the term of the 2021 Employment Agreements. For the performance based awards that have or may be granted to the Named Executive Officers, the compensation committee has established a two-pronged approach which mirrors the approach used for annual cash incentive bonuses. Under this approach, a percentage of the target equity award is based on whether the Company achieves the annual EPS Performance Goal, and a percentage is based on the Profit Sharing Pool comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited financial statements). After the end of the fiscal year, the compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the number of shares awarded would be 110% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the award would be 90% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. The remaining percentage of the Named Executive Officers' equity award will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year. 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 2020 were paid at 6.58% of the total target amount for all or a portion of the fiscal year in which a Named Executive Officer served in such role, based on a decrease in actual EPS of 81.8% and an actual Profit Sharing Pool of $233,747 calculated on fiscal year 2020 pre-tax profit of $15,583,127. For discussion of the percentages assigned by the compensation committee to each component of the performance based equity awards for Messrs. Taylor, Morgan, Thompson, and Jacobsen, and Ms. Robinson (as applicable), refer to the associated tables below.

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

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

	Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on June 11, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on August 27, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2020 pursuant to 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, Former President	10,000	—	—	10,000	10,000	75,000	105,000
Doug W. Thompson Chief Operating Officer	—	—	2,000	10,000	22,500	—	34,500
Tonya R. Robinson Chief Financial Officer	—	7,000	—	10,000	20,000	—	37,000
S. Chris Jacobsen Chief Marketing Officer	—(3)	—	—	5,000	15,000	—	20,000

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

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

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

As described above, each 2021 Employment Agreement provides that the compensation committee may grant certain stock awards to the Named Executive Officers during the term of the respective 2021 Employment Agreements. In connection with the same, the compensation committee granted service based restricted stock units under the 2021 Employment Agreements as shown in the table below and are subject to the Named Executive Officer still serving the Company on the vesting date.

	Service Based Restricted Stock Units vesting on January 8, 2022 pursuant to 2021 Employment Agreements	Total Service Based Restricted Stock Units granted pursuant to 2021 Employment Agreements
W. Kent Taylor Chairman, Chief Executive Officer, Former President	10,000	10,000
Gerald L. Morgan President	10,000(1)	1000
Doug W. Thompson Chief Operating Officer	10,000	10,000
Tonya R. Robinson Chief Financial Officer	10,000	10,000
S. Chris Jacobsen Chief Marketing Officer	7,000	7,000

(1) The 10,000 service based restricted stock units granted to Mr. Morgan for fiscal year 2021 are comprised of (i) 5,000 service based restricted stock units granted to Mr. Morgan on January 8, 2021, and (ii) 5,000 service based restricted stock units granted to Mr. Morgan on March 31, 2021.

Performance Based Restricted Stock Units. The number of performance based restricted stock units granted to Messrs. Taylor, Thompson, and Jacobsen and Ms. Robinson for the 2020 fiscal year under their 2018 Employment Agreement, and the number of shares of common stock which actually vested based on the Company's performance, are shown in the table below:

	Target Number of Performance Based Restricted Stock Units Granted for 2020 pursuant to 2018 Employment Agreements	Minimum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements	Actual Number of Shares Issued for 2020 following Certification of 2020 Performance Goals(1)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	50,000	0	100,000	3,290
Doug W. Thompson Chief Operating Officer	20,000	0	40,000	1,316
Tonya R. Robinson Chief Financial Officer	2,000	0	4,000	132
S. Chris Jacobsen Chief Marketing Officer	7,000	0	14,000	461

(1) The shares underlying the performance based restricted stock units attributable to the 2020 fiscal year were issued on March 1, 2021. The compensation committee determined that 50% of the performance based restricted stock unit award for the 2020 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 2020 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 amendments to the 2018 Employment Agreements described above did not modify and/or impact the number of performance based restricted stock units issued during the 2020 fiscal year.

As described above, each 2021 Employment Agreement provides that the compensation committee may grant certain stock awards to the Named Executive Officers during the term of the respective 2021 Employment Agreements. In connection with the same, the number of performance based restricted stock units granted by the compensation committee in 2021 to Messrs. Taylor, Morgan, Thompson, and Jacobsen, and Ms. Robinson under their respective 2021 Employment Agreements for the 2021 fiscal year is shown in the table below. Unless set forth below, such performance based restricted stock units were granted to each respective executive officer on January 8, 2021. The actual number of shares that will be issued to each of Messrs. Taylor, Morgan, Thompson, and Jacobsen, and Ms. Robinson for fiscal year 2021 based on achievement of the performance goals assigned to these grants by the compensation committee will not be calculated until the first quarter of 2022.

	Target Number of Performance Based Restricted Stock Units vesting on January 8, 2022 pursuant to 2021 Employment Agreements(1)	Minimum Number of Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements
W. Kent Taylor	50,000	0	100,000
Gerald L. Morgan	15,000(2)	0	30,000
Doug W. Thompson	20,000	0	40,000
Tonya R. Robinson	2,500(3)	0	5,000
S. Chris Jacobsen	5,000	0	10,000

(1) The compensation committee determined that 50% of the performance based restricted stock unit award for 2021 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 2021 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, Morgan, Thompson, and Jacobsen and Ms. Robinson with respect to fiscal year 2021 will be certified in the first quarter of 2022.

(2) The 15,000 performance based restricted stock units granted to Mr. Morgan for fiscal year 2021 are comprised of (i) 2,500 performance based restricted stock units granted to Mr. Morgan on January 8, 2021, and (ii) 12,500 performance based restricted stock units granted to Mr. Morgan on March 31, 2021.

(3) The 2,500 performance based restricted stock units granted to Ms. Robinson for fiscal year 2021 are comprised of (i) 2,000 performance based restricted stock units granted to Ms. Robinson on January 8, 2021, and (ii) 500 performance based restricted stock units granted to Ms. Robinson on March 31, 2021.

Separation and Change in Control Arrangements

2018 Employment Agreements. Except in the event of a change in control, the 2018 Employment Agreement with Mr. Taylor provides that no severance would be paid to him upon termination of employment, but he would be entitled to receive a gift of a crisp $100 bill if his employment were to be terminated by the Company without cause before the end of the term. The 2018 Employment Agreement for each of Messrs. Thompson and Jacobsen, and Ms. Robinson provides that, except in the event of a change in control, if the Company terminates their employment without cause before the end of the term and the applicable Named Executive Officer signs a release of all claims against the Company, then the Company will pay a severance payment equal to any bonus for a year already ended (even if not yet paid at termination),

plus the Named Executive Officer's base salary for a period of 180 days, and payment of a fixed sum ($225,000 for Mr. Thompson, $100,000 for Mr. Jacobsen, and $100,000 for Ms. Robinson). Similar payments are due to the Named Executive Officers under the 2018 Employment Agreements if employment was or is terminated by reason of death or disability before the end of the term. The Company provides these severance payments to allow for a period of transition and in exchange for a full release of claims against the Company. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the Named Executive Officers in periodic installments in accordance with our normal payroll practices. The fixed sum is paid in a single lump sum, and any bonus component of the severance payments for a performance period that ended before termination is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

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

According to the terms of the 2018 Employment Agreements, a change in control means that one of the following events has taken place: (1) the shareholders of the Company approve (a) a merger or statutory plan of exchange involving the Company (the "***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 Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended [the "***Exchange Act***"]), directly or indirectly, of securities representing in excess of the greater of at least 20% of the voting power of outstanding securities of the Company or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or (4) any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of 20% of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties. No change of control will be deemed to have occurred for purposes of an individual 2018 Employment Agreement by virtue of any transaction which results in the affected Named Executive Officer, or a group of persons which includes the

affected Named Executive Officer, acquiring, directly or indirectly, securities representing 20% or more of the voting power of outstanding securities of the Company.

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

2021 Employment Agreements. The 2021 Employment Agreements generally provide that if a Named Executive Officer's employment is terminated during the term of the 2021 Employment Agreement for a Qualifying Reason (as defined below), the Company will pay the Named Executive Officer three months of base salary (except for Mr. Taylor, who will receive a crisp $100 bill), unless the termination occurs within 12 months following a Change in Control (as defined below), in which case the applicable Named Executive Officer's current base salary remaining for the then existing term of his or her respective 2021 Employment Agreement will be paid. In addition, if any Named Executive Officer's termination occurs for a Qualifying Reason within 12 months following a Change in Control, the applicable Named Executive Officer shall be paid any incentive bonus earned but not yet paid for any fiscal year ended before the date of termination, plus an incentive bonus for the year in which the date of termination occurs, equal to the applicable Named Executive Officer's target bonus for that year, prorated based on the number of days in the fiscal year elapsed before the date of termination. For purposes of the 2021 Employment Agreements, termination for a "***Qualifying Reason***" is generally defined to be attributable to one of the following: (i) the result of the applicable Named Executive Officer having submitted to the Company the Named Executive Officer's resignation in accordance with a request by the Board or the Chief Executive Officer, provided that such request is not based on the Company's finding that Cause (as defined below) for termination exists, (ii) a termination by the Named Executive Officer for Good Reason (as defined below) within 12 months of a Change in Control, or (iii) a termination by the Company for any reason other than Cause or as a result of death or disability which entitles the Named Executive Officer to benefits under the Company's long-term disability plan. Under the 2021 Employment Agreements, a termination by a Named Executive Officer (a separation, including a voluntary retirement, initiated by a Named Executive Office other than per a request described above), other than for Good Reason within 12 months following a Change in Control, shall not be a Qualifying Reason. Additionally, termination for "***Cause***" means a termination by the Company for one or more of the following reasons: (a) a Named Executive Officer's conviction of, or being charged with having committed, a felony; (b) a Named Executive Officer's acts of dishonesty or moral turpitude that are detrimental to the business of the Company; (c) a Named Executive Officer's acts or omissions that such Named Executive Officer knew or should have reasonably known were likely to damage the business of the Company; (d) a Named Executive Officer's failure to obey the reasonable and lawful directions of the Company, including, without limitation, the Company's policies and procedures (including the Company's policies prohibiting discrimination, harassment, and retaliation), and the Texas Roadhouse, Inc. Code of Conduct; (e) a Named Executive Officer's failure to perform such Named Executive Officer's obligations under his or her 2021 Employment Agreement; (f) a Named Executive Officer's willful breach of any agreement or covenant contained within his or her 2021 Employment Agreement or any fiduciary duty owed to the Company; and/or (g) a Named Executive Officer's unsatisfactory performance of such Named Executive Officer's duties after: (A) he or she has received written notice of the general nature of the unsatisfactory performance, and (B) he or she has failed to cure the unsatisfactory performance within 30 days thereafter to the satisfaction of the Company.

As used in the 2021 Employment Agreements, a "***Change in Control***" means that one of the following events has taken place: (i) consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; (ii) consummation of a sale or disposition of all or substantially all of the assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately before such sale or disposition); or (iii) any Person becomes the beneficial owner (as determined pursuant to Section 13(d) of the Exchange Act) of securities representing in excess of 50% of the aggregate voting power of the outstanding securities of the Company as required to be disclosed in a report on Schedule 13D of the Exchange Act. The Board has the full and final authority, in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control, and any incidental matters relating thereto. The 2021 Employment Agreements also provide for the reduction of Change in Control payments

to the maximum amount that could be paid to the Named Executive Officers without giving rise to the excise tax imposed by Section 4999 of the Internal Revenue Code. Additionally, as used in the 2021 Employment Agreements, "***Good Reason***" given by a Named Executive Officer in a notice of termination must be based on: (a) the assignment to such Named Executive Officer of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately before the Change in Control; (b) a reduction by the Company or the surviving company in such Named Executive Officer's base pay as in effect immediately before the Change in Control; (c) a significant reduction by the Company or the surviving company in total benefits available to such Named Executive Officer under cash incentive, stock incentive and other employee benefit plans after the Change in Control compared to the total package of such benefits as in effect before the Change in Control; (d) the requirement by the Company or the surviving company that such Named Executive Officer be based more than 50 miles from where such Named Executive Officer's office is located immediately before the Change in Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which such Named Executive Officer undertook on behalf of the Company before the Change in Control; or (e) the failure by the Company to obtain from any Successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company an agreement to assume obligations under the 2021 Employment Agreement.

While the individual 2021 Employment Agreements do not address the manner in which unvested stock awards, if any, will be handled upon the termination of a Named Executive Officer, the specific restricted stock unit award agreement and/or performance restricted stock unit award agreement entered into by the Named Executive Officers upon the grant of service based restricted stock units and/or performance based restricted stock units provide that (A) if a Change in Control occurs prior to the vesting date of such restricted stock units and the Named Executive Officer is terminated by the Company without Cause, or (B) if the Named Executive Officer is terminated for Good Reason within 12 months following a Change in Control, then such unvested service based restricted stock units and/or performance based restricted stock units shall become vested as of the date of termination.

The Company provides these severance payments to allow for a period of transition and are generally contingent upon the Named Executive Officer's execution of a full release of claims against the Company, and continued compliance with the non-competition, non-solicitation, confidentiality and other restrictive covenants. If the Named Executive Officer's employment is terminated for any reason other than a Qualifying Reason (such as the officer's death, disability or for Cause), then the Company will pay to the Named Executive Officer only the base salary accrued for the last period of actual employment and any accrued paid time off in accordance with policies of the Company in effect from time to time. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the Named Executive Officers in periodic installments in accordance with our normal payroll practices. The fixed sum is paid in a single lump sum, and any bonus component of the severance payments for a performance period that ended before termination is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

Hedging and Pledging Policies

The Company has a stock trading policy that, among other things, prohibits all of our employees (including our executive officers) and our directors from engaging in speculative trading in the Company's shares, which prohibition includes any arrangement by which a shareholder or option holder changes his or her economic exposure to changes in the price of the stock. Prohibited arrangements include buying standardized put or call options, writing put or call options, selling stock short, buying or selling securities convertible into other securities, or merely engaging in a private arrangement where the value of the agreement varies in relation to the price of the underlying security. Such arrangements are prohibited because these transactions may give the appearance of improper trades and look disloyal. In addition, our stock trading policy strongly discourages employees (including our executive officers) and our directors from holding the Company's securities in a margin account or otherwise pledging these securities as collateral for a loan. As of the date of this proxy statement, none of our Named Executive Officers and non-employee directors hold the Company's securities in a margin account or have otherwise pledged them as collateral for a loan.

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 29, 2020.

All members of the compensation committee concur in this report.

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

Summary Compensation Table

The following table sets forth the total compensation earned with respect to the fiscal years 2020, 2019, and 2018 for those persons serving as our chief executive officer and chief financial officer during fiscal year 2020, along with such information for each of our three other most highly compensated executive officers during fiscal year 2020, as and if applicable.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Grant Date Fair Value of Stock Awards ($)(2)(3)	Non-equity Incentive Plan Compensation ($)	All Other Compensation ($)(4)	Total ($)(3)
W. Kent Taylor	2020	121,154	—	3,358,800	7,213	133,772	3,620,939
Chairman, Chief	2019	525,000	—	3,711,600	654,181	8,961	4,899,742
Executive Officer, Former President	2018	525,000	—	—	829,316	8,782	1,363,098
Tonya R. Robinson	2020	245,482	200	671,760	3,290	—	920,732
Chief Financial	2019	298,077	200	1,237,200	249,212	1,161	1,785,850
Officer	2018	250,633	200	626,775	208,601	982	1,087,191
Gerald L. Morgan	2020	100,000	200	291,726	772,944	300	1,165,170
President							
Doug W. Thompson	2020	122,960	200	1,679,400	7,896	7,800	1,818,256
Chief Operating	2019	450,000	200	2,629,050	598,108	8,961	3,686,319
Officer	2018	450,000	200	1,271,240	659,430	8,782	2,389,652
S. Chris Jacobsen	2020	242,981	200	671,760	3,290	6,658	924,889
Chief Marketing	2019	314,481	200	742,320	249,212	8,961	1,315,174
Officer	2018	300,000	200	—	315,930	8,782	624,912

(1) This column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 29, 2020, December 31, 2019, and December 25, 2018.

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

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

(3) With respect to Mr. Taylor, (i) amounts for the 2020 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Taylor during the 2020 fiscal year relating to his 2020 year service, and (ii) amounts for the 2019 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Taylor during the 2019 fiscal year relating to his 2019 year service.

With respect to Ms. Robinson, (i) amounts for the 2020 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Ms. Robinson during the 2020 fiscal year relating to her 2020 year service, (ii) amounts for the 2019 fiscal year include (a) the service based restricted stock units granted to Ms. Robinson during the 2019 fiscal year relating to her 2019 year service, and (b) the "retention" restricted stock units granted to Ms. Robinson during the 2019 fiscal year, and (iii) amounts for the 2018 fiscal year include the service based restricted stock units granted to Ms. Robinson during the 2018 fiscal year relating to her 2018 year service.

With respect to Mr. Morgan, amounts for the 2020 fiscal year include the service based restricted stock units granted to Mr. Morgan during the 2020 fiscal year relating to his 2020 year service and granted prior to his appointment to President.

With respect to Mr. Thompson, (i) amounts for the 2020 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Thompson during the 2020 fiscal year relating to his 2020 year service, (ii) amounts for the 2019 fiscal year include (a) the performance based restricted stock units and service based restricted stock units granted to Mr. Thompson during the 2019 fiscal year relating to his 2019 year service, and (b) the "retention" restricted stock units granted to Mr. Thompson during the 2019 fiscal year, and (iii) amounts for the 2018 fiscal year include the service based restricted stock units granted to Mr. Thompson during the 2018 fiscal year relating to his 2018 year service.

With respect to Mr. Jacobsen, (i) amounts for the 2020 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Jacobsen during the 2020 fiscal year relating to his 2020 year service, and (ii) amounts for the 2019 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Jacobsen during the 2019 fiscal year relating to his 2019 year service.

(4) We believe that the personal safety and security of our senior executives is of the utmost importance to the Company and its shareholders. In connection with the same, we may from time to time provide personal security services to certain executives. Security services include home security systems and monitoring and, in some cases, personal security services. For fiscal year 2020, the Company paid $130,155 toward Mr. Taylor's personal security.

Grants of Plan-Based Awards in Fiscal Year 2020

The following table presents information with respect to grants of stock awards to the applicable Named Executive Officers during fiscal year 2020.

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 on January 8, 2021	January 8, 2020	—	—	—	10,000	559,800
Performance Based RSUs vesting on January 8, 2021	January 8, 2020	—	50,000(4)	100,000	—	2,799,000
Gerald L. Morgan						
Service Based RSUs vesting on February 28, 2021	February 28, 2020	—	—	—	1,250	72,475
Service Based RSUs vesting on May 8, 2021	May 8, 2020	—	—	—	1,250	57,425
Service Based RSUs vesting on August 7, 2021	August 7, 2020	—	—	—	1,250	74,988
Service Based RSUs vesting on November 3, 2021	November 3, 2020	—	—	—	1,250	86,838
Doug W. Thompson						
Service Based RSUs vesting on January 8, 2021	January 8, 2020	—	—	—	10,000	559,800
Performance Based RSUs vesting on January 8, 2021	January 8, 2020	—	20,000(4)	40,000	—	1,119,600
Tonya R. Robinson						
Service Based RSUs vesting on January 8, 2021	January 8, 2020	—	—	—	10,000	559,800
Performance Based RSUs vesting on January 8, 2021	January 8, 2020	—	2,000(4)	4,000	—	111,960
S. Chris Jacobsen						
Service Based RSUs vesting on January 8, 2021	January 8, 2020	—	—	—	5,000	279,900
Performance Based RSUs vesting on January 8, 2021	January 8, 2020	—	7,000(4)	14,000	—	391,860

(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 service based 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 ASC 718 of the target number of performance based restricted stock units and service based restricted stock units granted to the Named Executive Officers using

the closing price of the Company's common stock on the last trading day immediately preceding the grant date, which was based on the following:

(i) With respect to Mr. Taylor, 10,000 service based restricted stock units and 50,000 performance based restricted stock units granted on January 8, 2020 at $55.98.

(ii) With respect to Mr. Morgan, 1,250 service based restricted stock units granted on February 28, 2020 at $57.98, 1,250 service based restricted stock units granted on May 8, 2020 at $45.94, 1,250 service based restricted stock units granted on August 7, 2020 at $59.99, and 1,250 service based restricted stock units granted on November 3, 2020 at $69.47.

(iii) With respect to Mr. Thompson, 10,000 service based restricted stock units and 20,000 performance based restricted stock units granted on January 8, 2020 at $55.98.

(iv) With respect to Ms. Robinson, 10,000 service based restricted stock units and 2,000 performance based restricted stock units granted on January 8, 2020 at $55.98.

(v) With respect to Mr. Jacobsen, 5,000 service based restricted stock units and 7,000 performance based restricted stock units granted on January 8, 2020 at $55.98.

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 15 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2020.

(4) The amount included in the table above represents the target award opportunity. Performance based equity awards with respect to fiscal year 2020 were paid at 6.58% of the total target amount for all or a portion of the fiscal year in which a Named Executive Officer served in such role, based on a decrease in actual EPS of 81.8% and an actual Profit Sharing Pool of $233,747 calculated on fiscal year 2020 pre-tax profit of $15,583,127.

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 29, 2020 by the Named Executive Officers.

Outstanding Equity Awards at Fiscal Year End Table

Name	Stock Awards		Equity Incentive Plan Awards	
	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, Former President	85,000(2)	6,711,600	50,000(3)	3,948,000
Gerald L. Morgan President	5,000(4)	394,800	—	—
Doug W. Thompson Chief Operating Officer	22,500(5)	1,776,600	20,000(6)	1,579,200
Tonya R. Robinson Chief Financial Officer	20,000(7)	1,579,200	2,000(8)	157,920
S. Chris Jacobsen Chief Marketing Officer	15,000(9)	1,184,400	7,000(10)	552,720

(1) Market value was computed using the Company's closing stock price on the last trading day of our fiscal year ended December 29, 2020, which was $78.96.

(2) The vesting schedule is as follows: 10,000 service based restricted stock units on January 8, 2021, and 75,000 "retention" restricted stock units on January 8, 2023.

(3) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 50,000 performance based restricted stock units on January 8, 2021.

(4) The vesting schedule is as follows: 1,250 service based restricted stock units on February 28, 2021, 1,250 service based restricted stock units on May 8, 2021, 1,250 service based restricted stock units on August 7, 2021, and 1,250 service based restricted stock units on November 3, 2021.

(5) The vesting schedule is as follows: 10,000 service based restricted stock units on January 8, 2021, and 12,500 "retention" restricted sock units on January 8, 2021.

(6) 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: 20,000 performance based restricted stock units on January 8, 2021.

(7) The vesting schedule is as follows: 10,000 service based restricted stock units on January 8, 2021, and 10,000 "retention" restricted stock units on January 8, 2021.

(8) 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: 2,000 performance based restricted stock units on January 8, 2021.

(9) The vesting schedule is as follows: 5,000 service based restricted stock units on January 8, 2021, and 10,000 "retention" restricted stock units on January 8, 2021.

(10) 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: 7,000 performance based restricted stock units on January 8, 2021.

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

Stock Vested

The following table presents information with respect to stock awards vested during the fiscal year ended December 29, 2020 by the Named Executive Officers.

Stock Vested Table

Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	72,303	4,047,522(i)
Gerald L. Morgan President	22,500	1,103,638(ii)
Doug W. Thompson Chief Operating Officer	34,921	1,954,878(iii)
Tonya R. Robinson Chief Financial Officer	10,000	559,800(iv)
S. Chris Jacobsen Chief Marketing Officer	13,722	768,158(v)

(1) 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) $55.98 with respect to the 10,000 service based restricted stock units which vested on January 8, 2020, and $55.98 with respect to the 62,303 performance based restricted stock units which vested on January 8, 2020 but became reportable on February 28, 2020.

(ii) $68.67 with respect to the 1,250 service based restricted stock units which vested on February 25, 2020, $44.86 with respect to the 1,250 service based restricted stock units which vested on May 3, 2020, $45.94 with respect to the 17,500 service based restricted stock units which vested on May 8, 2020, $56.19 with respect to the 1,250 service based restricted stock units which vested on August 2, 2020, and $70.03 with respect to the 1,250 service based restricted stock units which vested on November 1, 2020.

(iii) $55.98 with respect to the 10,000 service based restricted stock units which vested on January 8, 2020, and $55.98 with respect to the 24,921 performance based restricted stock units which vested on January 8, 2020 but became reportable on February 28, 2020.

(iv) $55.98 with respect to 10,000 service based restricted stock units which vested on January 8, 2020.

(v) $55.98 with respect to the 5,000 service based restricted stock units which vested on January 8, 2020, and $55.98 with respect to the 8,722 performance based restricted stock units which vested on January 8, 2020 but became reportable on February 28, 2020.

Termination, Change of Control and Change of Responsibility Payments

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

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

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the 2018 Employment Agreements if his or her employment had been terminated without cause unrelated to a change of control on December 29, 2020, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of all claims against us.

Termination Payments Table

Name	Total Estimated Cash Payments ($)(1)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	100
Doug W. Thompson Chief Operating Officer	478,502
Tonya R. Robinson Chief Financial Officer	273,434
S. Chris Jacobsen Chief Marketing Officer	273,434

(1) Mr. Taylor is entitled to a crisp $100 bill upon the termination of his employment without cause. If the employment of Mr. Thompson had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect ($450,000) for 180 days, plus $225,000. If the employment of Ms. Robinson had been terminated under those circumstances, she would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of her annual base salary then in effect ($325,000) for 180 days, plus $100,000. 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 ($325,000) for 180 days, plus $100,000.

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the 2018 Employment Agreements and applicable equity incentive agreements 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 29, 2020, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of claims against us.

Change in Control, Change in Responsibilities Payments Table

Name	Estimated Cash Payments ($)(1)	Estimated Value of Newly Vested Stock Awards ($)(2)	Total ($)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	1,084,545	10,659,600	11,744,145
Doug W. Thompson Chief Operating Officer	961,584	3,355,800	4,317,384
Tonya R. Robinson Chief Financial Officer	538,160	1,737,120	2,275,280
S. Chris Jacobsen Chief Marketing Officer	538,160	1,737,120	2,275,280

(1) If the employment of any of the Named Executive Officers listed above had been terminated without cause following a change of control, or if any of the Named Executive Officers listed above had resigned his or her position for good reason following a change of control, the Named Executive Officer would have received the amount of his or her then current base salary and target incentive bonus through the end of the term of the Named Executive Officer's employment agreement, but not less than one year. Had a Named Executive Officer's employment been so terminated on December 29, 2020, each of Messrs. Taylor, Thompson, and Jacobsen, and Ms. Robinson would have received payment through January 7, 2021.

For the purposes of this footnote (1), the table below details the estimated payment for each Named Executive Officer.

Name	Salary ($)	Bonus ($)	Total Estimated Payments ($)
W. Kent Taylor Chairman, Chief Executive Officer, Former President	525,000	559,545	1,084,545
Doug W. Thompson Chief Operating Officer	450,000	511,584	961,584
Tonya R. Robinson Chief Financial Officer	325,000	213,160	538,160
S. Chris Jacobsen Chief Marketing Officer	325,000	213,160	538,160

(2) Each Named Executive Officer's service based restricted stock units and performance based restricted stock units would have become immediately vested upon a termination of his or her employment without cause following a change of control, or if any of the Named Executive Officers had resigned his or her position for good reason following a change of control. In addition, if any of Messrs. Taylor, Thompson, and Jacobsen, and Ms. Robinson had not yet been granted performance based restricted stock units for the third year of their respective employment agreement, they would be issued the target number of units set forth in their respective 2018 Employment Agreements and as more particularly identified in the Grants of Plan-Based Awards Table above for each such year. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on the last trading day of our fiscal year ended December 29, 2020, which was $78.96. The number of service based restricted stock units and performance based restricted stock units which would have vested on that date are shown in "Outstanding Equity Awards."

CEO Pay Ratio

Under Section 953(b) of the Dodd Frank Wall Street Reform and Consumer Protection Act, a U.S. publicly traded corporation is required to disclose the ratio between their Chief Executive Officer's annual total compensation to the total compensation of such corporation's median employee after excluding the Chief Executive Officer's compensation. To identify our median employee, we used the 2020 total cash compensation for all individuals (other than Mr. Taylor, our CEO) who were employed by us as of December 29, 2020, the last day of our 2020 fiscal year. For the purposes of calculating our employee's total cash compensation, we used our employee's base wages identified on our employees' W-2 forms. As a part of our calculation, we included all employees, whether employed by us on a full-time or part-time basis, and we annualized the compensation of any employee whom we hired during our 2020 fiscal year and who was working for us at the end of our fiscal year. As of December 29, 2020, approximately 78% of our employees were part-time employees and our average employee worked approximately 22 hours per week.

We identified our median employee as a part-time host in Pensacola, Florida who worked an average of 22 hours per week. After identifying our median employee, we calculated the annual total compensation for such employee as $13,164, which is determined using the same methodology we used for our Named Executive Officers as set forth in the 2020 Summary Compensation Table described above.

As more particularly described in the 2020 Summary Compensation Table, the annual total compensation for Mr. Taylor, our CEO, for our 2020 fiscal year is $3,620,939 and the ratio between the compensation for our CEO and the compensation for our median employee is 275 to 1. Note that since the SEC rules allow companies to use various methodologies and assumptions, apply certain exclusions, and make reasonable estimates relating to a specific company's employee base when identifying the median employee, the CEO pay ratio disclosed by other companies may not be comparable with the CEO pay ratio disclosed in this paragraph. Additionally, the pay ratio between our CEO and our median employee may vary year to year based, in part, on the grant date value of any restricted stock units granted to our CEO in any given year.

AUDIT COMMITTEE REPORT

The audit committee of the Board (the "***Committee***") is currently composed of four directors, all of whom meet the criteria for independence under the applicable NASDAQ and Securities & Exchange Commission (the "***SEC***") rules and the Sarbanes-Oxley Act. The 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 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 29, 2020 (the "***Audited Financial Statements***").

- The Committee met 16 times during fiscal year 2020, which were comprised of six regular meetings of the Committee, two meetings per quarter relating to the Committee's review of the Company's filings with the SEC, and two special meetings to discuss emerging events which occurred between regularly scheduled meetings. The Committee's meetings included private sessions with the Company's independent auditors and internal auditors (as needed), as well as executive sessions consisting of only Committee members. The Committee also met periodically in private sessions with management, including Named Executive Officers (as needed);

- The Committee reviewed the acknowledgement process for the Company's Code of Conduct and the corresponding results;

- The 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 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 Committee reviewed with management, including the internal auditors and the Company's Vice President of Legal, 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 Committee reviewed with the Company's Vice President of Legal the Company's disclosures with respect to current lawsuits (as and if applicable);

- The Committee reviewed comment letters received from the SEC, if any, together with management's response to such letters;

- The 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 2020 fiscal year, before management engaged the independent auditors for those purposes, pursuant to and in accordance with the Texas Roadhouse, Inc. Policy for Pre-Approval of Services Provided by External Audit Firm (which is available on the Company's website at *www.texasroadhouse.com*);

- On a quarterly basis, the Committee discussed with KPMG LLP the matters required to be discussed by the Public Company Accounting Oversight Board's Auditing Standard No. 1301, Communications with Committees;

- The Committee discussed with KPMG LLP their written disclosures and letter required by the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Committee concerning independence;
- The Committee reviewed the selection, application, and disclosure of critical accounting policies;
- The Committee reviewed with KPMG LLP the selection and disclosure of the critical audit matters set forth in the independent auditor's report of the Company's Form 10-K;
- The Committee reviewed the Company's quarterly earnings press releases prior to issuance;
- The Committee reviewed and discussed the Company's Audited Financial Statements for the 2020 fiscal year with management and the independent auditors;
- As mentioned above, the Committee reviewed the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K prior to filing with the SEC;
- The Committee reviewed with management the manner in which the COVID-19 pandemic has impacted the Company's financial controls and processes and the steps being taken by the Company to mitigate such impact;
- The Committee evaluated the appointment, compensation, retention and oversight of KPMG LLP. In connection with such appointment, the Committee evaluated the service level of the incumbent independent auditor, which included criteria such as prior year quality of service, industry and technical expertise, independence, resource availability, and reasonableness and competitiveness of fees, as well as solicited the input of key management employees during its evaluation; and
- Based on the review and discussion referred to above, and in reliance thereon, the 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 29, 2020, for filing with the SEC.

All members of the Committee concur in this report.

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

Related Party Transactions

The Committee's charter provides that the Committee will review and approve any transactions between us and any of our executive officers, non-employee directors, and 5% shareholders, or any members of their immediate families, in which the amount involved exceeds the threshold limits established by the regulations of the SEC. In reviewing a related-party transaction, the 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 Committee.

Grants of Franchise or License Rights

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

an ongoing benefit to the Company by making those Named Executive Officers more invested in the overall success of the brand.

Ownership of franchised restaurants by our current Named Executive Officers as of the end of the 2020 fiscal year is listed below.

Restaurant	Name and Ownership	Initial Franchise Fee	Royalty Rate	Royalties Paid to Us in Fiscal Year 2020 ($)	Management, Supervision, or Accounting Fees Paid to Us in Fiscal Year 2020 ($)
Billings, MT	W. Kent Taylor (27.5%)	—	4.0%	181,951	22,744
Everett, MA	W. Kent Taylor (28.75%)	—	4.0%	193,674	24,209
McKinney, TX	Gerald L. Morgan (2.0%)	—	4.0%	257,036	32,129
Muncie, IN	W. Kent Taylor (4.91%)	—	—	50,000	—
Brownsville, TX	Gerald L. Morgan (3.07%)	—	4.0%	259,995	32,499
Port Arthur, TX	W. Kent Taylor (15.0%)	—	4.0%	213,013	26,627
Wichita, KS	W. Kent Taylor (24.05%)	—	4.0%	303,770	37,971

For the 2020 fiscal year, the total amount of distributions received by Mr. Taylor and Mr. Morgan relating to their ownership interests in the above-referenced franchised restaurants were $679,820 and $25,907, respectively. These amounts do not reflect compensation paid by the Company to Mr. Taylor and/or Mr. Morgan during the 2020 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 2020, we received no payment from this franchise restaurant, as none was due.

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

Ownership Interest in Majority-Owned Joint Venture Entities

We have Named Executive Officers that have ownership interest in certain Texas Roadhouse restaurants that are owned by an entity that the Company controls and in which the Company holds a 52.5% ownership interest. We believe that allowing certain Named Executive Officers to have ownership interests in restaurants provides an ongoing benefit to the Company by making these persons more invested in the overall success of the brand.

Ownership of such Texas Roadhouse restaurants by our current Named Executive Officers as of the end of the 2020 fiscal year is listed below.

Restaurant	Name and Ownership	Management or Supervision Fees Paid to Us in Fiscal Year 2020 ($)
Gilbert-East, AZ	Doug W. Thompson (35.5%)	218,015
Mansfield, TX	Gerald L. Morgan (34.5%)	231,811

For the 2020 fiscal year, the total amount of distributions received by Mr. Thompson and Mr. Morgan relating to their ownership interests in the above-referenced restaurants were $297,313 and $179,690, respectively. These amounts do not reflect compensation paid by the Company to Mr. Thompson and/or Mr. Morgan during the 2020 fiscal year; rather, these amounts were paid by the applicable entity and reflect a return on investment in these separate restaurant locations.

Prior to Mr. Morgan's appointment to President, the entity operating the Texas Roadhouse restaurant in Mansfield, Texas in which Mr. Morgan holds an ownership interest had indebtedness to the Company. For the 2020 fiscal year, the table below sets forth certain information related to the indebtedness to the Company, which bore interest at an annual rate of 2%:

Restaurant	Largest Aggregate Amount of Principal Outstanding during Fiscal Year 2020 ($)	Amount of Principal Outstanding as of December 10, 2020 ($)	Aggregate Principal Repaid for Fiscal Year 2020 ($)	Aggregate Interest Repaid for Fiscal Year, 2020 ($)
Mansfield, TX	518,899	—	228,315 (1)	15,027

(1) On December 10, 2020, the outstanding principal balance of $280,206 was repaid to the Company and the entity did not have any outstanding indebtedness to the Company upon Mr. Morgan's promotion to President.

Other Related Transactions

We entered into a real estate lease agreement for the franchise restaurant located in Everett, MA, of which Mr. Taylor beneficially owns 28.75%, before our granting franchise rights for that restaurant. We have subsequently assigned the lease to the franchisee, but we remain contingently liable if a franchisee defaults under the terms of the lease agreement. The Everett lease expires in February 2023.

We previously entered into a real estate lease agreement for the Company restaurant located in Gilbert-East, AZ. We subsequently assigned the lease to a joint venture operating entity, but we remain contingently liable if the entity defaults under the terms of the lease agreement. The Gilbert-East lease expires in July 2023.

PRESENTATION OF PROPOSALS

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's bylaws provide for not less than one and not more than 15 directors. Our Board currently consists of five directors. At the Annual Meeting, we are electing five directors to hold office until the Annual Meeting of Shareholders in 2022 and until a successor is elected and qualified. Although it is not anticipated that any of the nominees listed below will decline or be unable to serve, if that should occur, the proxy holders may, in their discretion, vote for a substitute nominee.

Nominees for Election as Directors

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

Name	Age	Position or Office	Director Since
Michael A. Crawford	53	Director	2020
Gregory N. Moore	71	Director	2005
Curtis A. Warfield	52	Director	2018
Kathleen M. Widmer	59	Director	2013
James R. Zarley	76	Director	2004

Recommendation

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

PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

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

In connection with the same and pursuant to its charter, the audit committee has appointed the firm of KPMG LLP to serve as the independent auditors to audit the consolidated financial statements and the internal control over financial reporting of the Company for the fiscal year which ends on December 28, 2021. The Board and the audit committee jointly agree that the continued retention of KPMG LLP is in the best interest of the Company and its shareholders. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of KPMG LLP. If the shareholders fail to ratify the appointment of KPMG LLP, the audit committee will take this result into account when appointing an independent auditor for the 2021 fiscal year. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm as the Company's independent auditors at any time during the year if the audit committee believes that such a change would be in the best interests of the Company and its shareholders. One or more representatives of KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Fees Paid to the Independent Auditors

We incurred the following fees to KPMG LLP for fiscal years 2020 and 2019:

	2020($)	**2019($)**
Audit Fees	763,978	761,380
Audit-related Fees	7,500	—
Tax Fees	15,424	24,938
All Other Fees	1,780	1,500
	788,682	787,818

Audit Fees. KPMG LLP charged $763,978 in fiscal year 2020 and $761,380 in fiscal year 2019 for audit fees. These include professional services in connection with the audit of the Company's annual consolidated financial statements and its internal control over financial reporting. They also include reviews of the Company's consolidated financial statements included in the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years shown. Additionally, the fees for fiscal years 2020 and 2019 contain approximately $18,478 and $41,380, respectively, related to statutory audits. Finally, the fees for fiscal years 2020 and 2019 contain approximately $0 and $20,000, respectively, related to the adoption of new accounting pronouncements.

Audit-related Fees. KPMG LLP charged $7,500 in fiscal year 2020 for their consent to include the Company's annual consolidated financial statements in a franchise disclosure document.

Tax Fees. KPMG LLP charged $15,424 in fiscal year 2020 and $24,938 in fiscal year 2019 for consulting and compliance services.

All Other Fees. KPMG LLP charged $1,780 in fiscal year 2020 and $1,500 in fiscal year 2019 for access to their Accounting Research Online tool.

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 2021 FISCAL YEAR.

PROPOSAL 3

ADVISORY VOTE ON APPROVAL OF EXECUTIVE COMPENSATION

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

The objective of the compensation committee in setting and evaluating the compensation of our executive officers is to promote the sustained profitability of the Company. Compensation for the Named Executive Officers is divided into three key components: (1) base salary, which provides a secure base of compensation and serves to motivate and retain our Named Executive Officers; (2) a cash bonus, which rewards our Named Executive Officers for the success of the Company as measured by growth in the Company's earnings per diluted share and its overall pre-tax profit, and for each Named Executive Officer's individual contribution to that success; and (3) grants of restricted stock units, which offer the Named Executive Officers a financial interest in the long-term success of the Company and align their interests with those of our shareholders. The types of restricted stock units that may be granted by the compensation committee in its discretion are (i) service based restricted stock units, which grant the Named Executive Officers the conditional right to receive shares of our common stock that vest after a defined period of service, (ii) "retention" restricted stock units, which vest upon the completion of the term of an individual Named Executive Officer's agreement or such later date as determined by the compensation committee, and (iii) performance based restricted stock units, which are calculated based on the achievement of certain Company performance targets established by the compensation committee and vest over a period of service. While "retention" restricted stock units were granted by the compensation committee under the prior employment agreements, the compensation committee has not made any similar retention grants for the Named Executive Officers under the 2021 Employment Agreements. The compensation committee will evaluate whether to grant additional retention grants in the future as a part of its annual evaluation of the compensation packages for the Named Executive Officers.

The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts 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. Under the 2021 Employment Agreements, the compensation committee has been granted greater flexibility in establishing the compensation for our Named Executive Officers. Specifically, each 2021 Employment Agreement establishes an annual base salary for the term of the respective 2021 Employment Agreements, with base salary increases being left to the discretion of the compensation committee. Additionally, each 2021 Employment Agreement provides an annual short-term cash incentive opportunity with a target bonus based on the achievement of defined goals to be established by the compensation committee, with increases in the target bonus amount to be made at the discretion of the compensation committee during the term of the 2021 Employment Agreement. Finally and in addition to cash compensation, each 2021 Employment Agreement provides that the compensation committee may grant certain stock awards to the Named Executive Officers during the term of the respective 2021 Employment Agreements, the types and amounts of which are subject to the compensation committee's discretion based on their annual review of the performance of the Company and of the individual Named Executive Officers

The compensation committee evaluates the stock compensation for each specific Named Executive Officer on an annual basis to determine the right combination of rewards and incentives through the issuance of service based restricted stock units and/or performance based restricted stock units to drive company performance without encouraging unnecessary or excessive risk taking by all of the Named Executive Officers as a whole. Under this approach, the Named Executive Officers receive a combination of service based restricted stock units and/or performance based restricted stock units, with a significant portion of some of the Named Executive Officers' compensation being tied to the grant of such performance based restricted stock units. By conditioning a significant portion of certain Named Executive Officer's performance based restricted stock unit grants upon the achievement of defined performance goals to be established by

the compensation committee, combined with the stock ownership guidelines for our Named Executive Officers more particularly described above, we have created a more direct relationship between compensation and shareholder value. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in their 2018 Employment Agreements and by giving the compensation committee the discretion to grant certain stock awards (if any) in its discretion to our Named Executive Officers under their 2021 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the total compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company, which may include the issuance of service based restricted stock units and/or performance based restricted stock units. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our Named Executive Officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our shareholders.

This structure, along with the culture and values of our Company, allows the Company to attract and retain top talent, while also encouraging our Named Executive Officers to keep their focus on both long-term business development and short-term financial growth. The Board was pleased to receive shareholder approval of the compensation packages of our Named Executive Officers in the advisory vote at the 2020 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.

PROPOSAL 4

APPROVAL OF THE TEXAS ROADHOUSE, INC. 2021 LONG-TERM INCENTIVE PLAN

The Company currently maintains the Texas Roadhouse, Inc. 2013 Equity Incentive Plan (the "***Current Plan***"). On February 11, 2021, the Board approved the Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan (the "***Plan***"), subject to shareholder approval at the Annual Meeting. The purpose of the Plan is to allow us to retain the services of the group of Eligible Persons (as hereinafter defined), to secure and retain the services of new Eligible Persons, and to provide incentives for Eligible Persons to exert maximum efforts for the success of us and our affiliates and the Company's shareholders. The Plan was adopted to extend the term of our long-term incentive plan, increase the number of shares available for awards to Eligible Persons, and to include current market-based provisions in the Plan.

If the Plan is approved by the Company's shareholders, it will become effective as of the date on which the shareholders approve it (the "***Effective Date***") and, thereafter, no future awards will be made under the Current Plan.

A copy of the Plan is attached to this proxy statement as Appendix A. The principal features of the Plan are described below, but such description is qualified in its entirety by reference to the complete text of the Plan. The Plan will not become effective unless shareholder approval is obtained at the Annual Meeting.

Types of Awards

The types of awards that may be granted under the Plan are incentive stock options ("***Incentive Stock Options***"), non-qualified stock options ("***Non-Qualified Stock Options***", which together with Incentive Stock Options, are referred to collectively as "***Options***"), stock appreciation rights ("***SARs***"), and Full Value Awards (including restricted stock, restricted stock units, deferred stock units, performance stock and performance stock units), each as described in more detail below. Substitute Awards, which are shares of our Common Stock (as hereinafter defined) issued in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by us or our affiliates (or with which we or our affiliates combines), may also be granted under the Plan.

Administration

The Plan is administered by a "***Committee***" which generally will be the compensation committee of the Board. In addition, the Committee generally will be comprised of not fewer than two directors (or a greater number if required for compliance with applicable securities laws) who are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The Committee selects the Eligible Persons who are to be granted awards under the Plan, the types of awards to be granted and the applicable terms, conditions, restrictions and other provisions of such awards. If the Committee does not exist or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. The Committee also has the authority to conclusively interpret the Plan. Subject to stock exchange rules, the Committee may delegate all or any portion of its responsibilities or powers under the Plan to persons selected by it.

Eligibility and Participation

The Committee will select from among the Eligible Persons those persons who will receive an award under the Plan and thereby become a "***Participant***". For purposes of the Plan, "***Eligible Persons***" are non-employee directors of the Company, employees of the Company or any of its affiliates and other persons who are engaged to provide consulting services to the Company or any of its affiliates or who serve as compensated members of the board of directors of any of the Company's affiliates. No awards will be made under the Plan unless the Plan is approved by the Company's shareholders. Only employees of the Company and its eligible corporate subsidiaries may be awarded Incentive Stock Options under the Plan.

As of December 29, 2020, there were five non-employee directors, and approximately 2,962 employees (including executive officers), expected to be eligible to participate in the Plan. As of December 29, 2020, no other persons are expected to be eligible to participate in the Plan. To date, no awards have been made under the Plan. Because future awards are made at the discretion of the Committee, the recipients and grants of future awards are not determinable at this time.

Shares Available for Issuance Under the Plan; Limitations on Awards

Shares of Common Stock reserved for issuance under the Plan may be currently authorized but unissued shares currently held or shares reacquired by us or shares purchased in the open market or private transactions.

The number of shares of Common Stock that may be issued with respect to awards under the Plan will be equal to 5,000,000 plus the aggregate number of shares of Common Stock available for issuance (and not subject to outstanding awards) under the Current Plan as of the Effective Date. Any shares of Common Stock subject to an award under the Plan or any award that is outstanding under the Current Plan as of the Effective Date (and, in any case, other than Substitute Awards) which for any reason is forfeited, expires or is terminated without issuance of shares of Common Stock (including shares that are attributable to awards that are settled in cash) and shares subject to such awards that are tendered or withheld in payment of the taxes with respect to the grant, vesting or payment of an award that is a Full Value Award (whether granted under the Plan or the Current Plan) (collectively, "***Recycled Shares***") will thereafter be available for further grants under the Plan. Shares of Common Stock that are withheld to pay the exercise price of an Option (including by means of a net exercise) or the taxes payable upon exercise of an Option or SAR (whether granted under the Plan or the Current Plan) will not be Recycled Shares for purpose of the Plan. Upon stock settlement of SARs, the gross number of shares of Common Stock subject to the SARs originally granted will be counted as issued for purposes of determining the number of shares available for issuance under the Plan regardless of the number of shares of Common Stock actually issued upon such Common Stock settlement. Shares of Common Stock covered by an award will only be counted as used to the extent that they are actually used. Shares subject to Substitute Awards will not reduce the number of shares of Common Stock that may be issued under the Plan or that may be covered by awards granted to any individual Participant during an applicable period as described below.

The maximum number of shares of Common Stock that may delivered pursuant to the exercise of Incentive Stock Options under the Plan cannot exceed the Plan limit of 500,000. The Plan also provides that the maximum number of shares that may be delivered to any one Participant during any one calendar-year period pursuant to Options, SARs or Full Value Awards is 500,000 for each type of award. The Plan also provides that the total compensation which a non-employee director may receive in any one of our fiscal years will not exceed $500,000, calculated by adding (i) the total cash compensation to be otherwise paid for services rendered in the fiscal year to (ii) the grant date value of any Common Stock granted pursuant to an award in that fiscal year. In the event the aggregate compensation of such non-employee director, including the grant date value of any award, reaches $500,000.00 in any given fiscal year, then no additional cash compensation will be due or paid to such non-employee director, and no additional awards will be made to such director, during the remainder of such fiscal year.

In each case, the number of shares (as well as the exercise price of Options and SARs and the limits on individual awards) is subject to adjustment in the event of a reorganization, stock split, merger or similar change in our corporate structure or the outstanding shares of Common Stock.

Except for (a) awards granted under the Plan with respect to shares of Common Stock which do not exceed, in the aggregate, 5% of the total number of shares of Common Stock reserved for issuance pursuant to the Plan, (b) awards granted in lieu of other compensation, (c) awards that are a form of payment of earned performance awards or other incentive compensation, (d) new hire awards, or (e) awards granted to Employees who have completed a minimum period of service with us and our affiliates of at least three years, if a Participant's right to become vested in an award is conditioned on the completion of a specified period of service with the us or our affiliates being required, then the required period of service will be at least one year, except if accelerated in the event of the Participant's death or disability, retirement, involuntary termination, or change in control.

As of December 29, 2020 and as more particularly shown in the table found in the "Equity Compensation Plan Information Under Current Plan" section below, there were 2,340,630 shares of the Company's Common Stock ("***Common Stock***") available for future awards under the Current Plan.

Options and SARs

Under the Plan, the Committee may award Incentive Stock Options (which are Options that conform to the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the "***Code***") or Non-Qualified Stock Options which do not conform to the requirements of Section 422 of the Code and SARs. Incentive Stock Options may only be awarded to employees of the Company and its eligible corporate subsidiaries.

The Committee will determine the exercise price of any Option and SAR in its discretion; provided, however, that the exercise price of any Option or SAR may not be less than 100% of the fair market value of a share of Common Stock on the date of grant.

The expiration date with respect to an Option or SAR will be established by the Committee at the time of the grant, but will not be later than the earliest to occur of the ten-year anniversary of the date on which the Option or SAR is granted or the following dates (unless otherwise determined otherwise by the Committee): (a) if the Participant's termination of service with us and our affiliates occurs other than by reason of death or disability, the date that is three months after the Participant's termination date and (b) if the Participant's termination of service with us and our affiliates occurs by reason of death or disability (or if the participant dies after termination but prior to the expiration date of the Option or SAR) the date that is 12 months following termination.

Options and SARs may be subject to such other terms and conditions, not inconsistent with the Plan, as determined by the Committee, including the method of exercise of Options and SARs.

No Repricing of Options and SARs

Except for adjustments in connection with a corporate transaction or restructuring or reductions approved by the Company's shareholders, the exercise price of an Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR be surrendered to the Company as consideration for the grant of a replacement Option or SAR with a lower exercise price or a Full Value Award. In addition, unless approved by the Company's shareholders, in no event will any Option or SAR be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the exercise price of the Option or SAR is less than the then current fair market value of a share of Common Stock.

Full Value Awards

Under the Plan, the Committee may award "***Full Value Awards***" which is the grant of a right to receive one or more shares of Common Stock in the future (including restricted stock, restricted stock units, deferred stock units, performance stock and performance stock units). Full Value Awards may be subject to certain terms and conditions, including that they may be in consideration of previously performed services or surrender of other compensation, contingent on achievement of performance or other objectives during a specified time (including completion of a period of service), or subject to a substantial risk of forfeiture or other restrictions. The Committee may determine other terms and conditions applicable to Full Value Awards.

Change in Control

In the event of a Change in Control (as defined in the Plan), an award held by any Participant whose employment or service has not terminated prior to the effective time of the Change in Control may be subject to acceleration of vesting and exercisability upon or after such event as may be provided in the award agreement for such award or as may be provided in any other written agreement between us or any of our affiliates and the Participant or otherwise pursuant to such award.

Withholding Taxes and Transferability of Awards

All awards and other payments under the Plan are subject to withholding of all applicable taxes or to require the Participant, through payroll withholding, cash payment, or otherwise, to made adequate provision for, the U.S. federal, state, and local, and/or foreign taxes, if any, required by law to be withheld by us or an affiliate with respect to an award or the shares or cash acquired pursuant thereto.

Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution or as provided by the Committee. To the extent that a Participant has the right to exercise an award, the award may be exercised during the lifetime of the Participant only by the Participant.

Non-U.S. Participants

The Committee may grant awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or any Affiliate operates or has employees.

Amendment and Termination of the Plan and Awards

The Board may, at any time, amend or terminate the Plan, and the Committee may amend any award; provided, however that no amendment or termination (other than adjustments in connection with a corporate transaction or restructuring) may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the Participant's affected beneficiary), adversely affect the rights of any Participant or beneficiary under any award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee, if applicable) and no amendment may be made to the anti-repricing provisions of the Plan relating to Options and SARs unless the amendment is approved by the Company's shareholders. Shareholder approval of any Plan amendment is also required if shareholder approval is required by law or the rules of any stock exchange on which the Common Stock is listed.

Federal Income Tax Consequences

The following is a brief summary of the U.S. federal income tax rules relevant to awards under the Plan based upon the Code as currently in effect. These rules are highly technical and subject to change in the future, and the discussion does not purport to be a complete description of the tax aspects of the Plan.

Non-Qualified Stock Options

Generally, the grant of a Non-Qualified Stock Option will not result in taxable income to the Participant. Except as described below, the Participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares of Common Stock acquired over the exercise price for those shares of Common Stock, and we will be entitled to a corresponding deduction. Gains or losses realized by the Participant upon disposition of such shares of Common Stock will be treated as capital gains and losses, with the basis in such shares of Common Stock equal to the fair market value of the shares of Common Stock at the time of exercise. Certain additional rules may apply if the exercise price is paid in shares of Common Stock previously owned by the Participant.

Incentive Stock Options

Generally, the grant of an Incentive Stock Option will not result in taxable income to the Participant. The exercise of an Incentive Stock Option will not result in taxable income to the Participant provided that the Participant was, without a break in service, an employee of us or our eligible corporate subsidiaries during the period beginning on the date of the grant of the Option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the Participant is disabled, as that term is defined in the Code).

The excess of the fair market value of the shares of Common Stock at the time of the exercise of an Incentive Stock Option over the exercise price is an adjustment that is included in the calculation of the Participant's alternative minimum taxable income for the tax year in which the Incentive Stock Option is exercised. For purposes of determining the Participant's alternative minimum tax liability for the year of disposition of the shares of Common Stock acquired pursuant to the Incentive Stock Option exercise, the Participant will have a basis in those shares of Common Stock equal to the fair market value of the shares of Common Stock at the time of exercise.

If the Participant does not sell or otherwise dispose of the shares of Common Stock within two years from the date of the grant of the Incentive Stock Option or within one year after receiving the transfer of such shares of Common Stock, then, upon disposition of such shares of Common Stock, any amount realized in excess of the exercise price will be taxed to the Participant as capital gain, and we will not be entitled to any deduction for Federal income tax purposes. The Participant will recognize a capital loss to the extent that the amount realized is less than the exercise price. Certain additional rules may apply if the exercise price is paid in shares of Common Stock previously owned by the Participant.

If the foregoing holding period requirements are not met, the Participant will generally realize ordinary income, and we will be entitled to a corresponding deduction , at the time of the disposition of the shares of Common Stock, in an amount equal to the lesser of (a) the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price, or (b) the excess, if any, of the amount realized upon disposition of the shares of Common Stock over the exercise price. If the amount realized exceeds the value of the shares of Common Stock on the date of exercise, any additional amount will be capital gain. If the amount realized is less than the exercise price, the Participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares of Common Stock.

SARs

Generally, a Participant will not realize any taxable income upon the grant of a SAR. Upon the exercise of the SAR, the Participant will recognize ordinary income in an amount equal to the amount of cash and/or the fair market value, at the date of such exercise, of the shares of Common Stock received by the Participant as a result of such exercise. The Company will generally be entitled to a deduction in the same amount as the ordinary income realized by the Participant.

Full Value Awards

The federal income tax consequences of a Full Value Award will depend on the type of award. The tax treatment of the grant of shares of Common Stock depends on whether the shares are subject to a substantial risk of forfeiture (determined under Code rules) at the time of the grant. If the shares are subject to a substantial risk of forfeiture, the Participant will not recognize taxable income at the time of the grant and when the restrictions on the shares lapse (that is, when the shares are no longer subject to a substantial risk of forfeiture), the Participant will recognize ordinary taxable income in an amount equal to the fair market value of the shares at that time. If the shares are not subject to a substantial risk of forfeiture or if the Participant elects to be taxed at the time of the grant of such shares under Section 83(b) of the Code, the Participant will recognize taxable income at the time of the grant of shares in an amount equal to the fair market value of such shares at that time, determined without regard to any of the restrictions. If the shares are forfeited before the restrictions lapse, the Participant will be entitled to no deduction on account thereof. The Participant's tax basis in the shares is the amount recognized by him or her as income attributable to such shares. Gain or loss recognized by the Participant on a subsequent disposition of any such shares is capital gain or loss if the shares are otherwise capital assets.

In the case of other Full Value Awards, such as restricted stock units or performance stock units, the Participant generally will not have taxable income and us will not be entitled to a deduction upon the grant of the award. Participants will generally recognize ordinary income and us will be entitled to a corresponding deduction when the award is settled. At that time, the Participant will recognize taxable income equal to the cash or the then fair market value of the shares issuable in payment of such award, and such amount will be the tax basis for any shares received.

The Company generally will be entitled to a tax deduction in the same amount, and at the same time, as the income is recognized by the Participant.

Section 409A and Section 162(m).

Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a publicly-traded corporation may deduct for compensation paid to the principal executive officer, the principal financial officer or one of the company's other three most highly compensated executives. The Tax Reform and Jobs Act of 2017 (the "***Act***") eliminated the ability of companies to rely on the "Performance-Based" Compensation exception and the $1,000,000 limitation on deductibility generally was expanded to include all named executive officers (including the principal financial officer).

Certain awards under the Plan may be considered a deferral of compensation for purposes of Code Section 409A, which imposes additional requirements on a nonqualified deferred compensation plan. Generally, if a nonqualified deferred compensation plan fails to meet the requirements of Code Section 409A, or is not operated in accordance with those requirements, the Participant may be subject to significant tax penalties. Awards under the 2020 LTIP that are subject to Code Section 409A are intended to comply with the requirements of Code Section 409A. We intend to grant awards that are either exempt from or in compliance with Code Section 409A. However, we can provide no assurance that such an award will be exempt or comply with Code Section 409A or that the tax consequences described above will not apply. Neither the Company nor the Committee is under any obligation to make any changes to any award to cause such compliance and neither we nor our affiliates will be liable for any penalties that may be imposed on a Participant relating to Code Section 409A.

Equity Compensation Plan Information Under Current Plan

As of December 29, 2020, shares of Common Stock authorized for issuance under the Current Plan are summarized in the following table:

Plan Category	**Shares to Be Issued Upon Vest Date (1)**	**Shares Available for Future Grants**
Plans Approved by Shareholders	872,563	2,340,630
Plans Not Approved by Shareholders	—	—
Total	872,563	2,340,630

(1) Total number of shares consists of 793,653 restricted stock units and 79,000 performance based restricted stock units. Shares in this column are excluded from the "Shares Available for Future Grants" column. No stock options were outstanding as of December 29, 2020.

Recommendation

THE BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE TEXAS ROADHOUSE, INC. 2021 LONG-TERM INCENTIVE PLAN.

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 at *www.texasroadhouse.com,* require shareholders who intend to propose business for consideration by shareholders at the 2022 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 3, 2021 (reflecting 120 calendar days prior to the one year anniversary of the date of the Company's proxy statement issued in connection with the prior year's annual meeting). This notice must include a description of the business desired to be brought before the annual meeting, the name and address of the shareholder proposing such business and of the beneficial owner, if any, on whose behalf the business is being brought, the class, series and number of shares of the Company which are beneficially owned by the shareholder and such other beneficial owner and any material interest of the shareholder and such other beneficial owner in such business. Similar requirements are set forth in the Company's bylaws with respect to shareholders desiring to nominate candidates for election as director. Exchange Act rules permit management to vote proxies in its discretion in certain cases if the shareholder does not comply with these deadlines, and in certain other cases notwithstanding the shareholder's compliance with these deadlines. If a shareholder submitting a matter to be raised at the Company's next annual meeting desires that such matter be included in the Company's proxy statement for that meeting, such matter must be submitted to the Company no later than December 3, 2021.

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 Corporate Secretary, Christopher C. Colson, at 6040 Dutchmans Lane, Louisville, Kentucky 40205. The proposed communication will be reviewed by Mr. Colson and by the audit committee. If the communication is appropriate and serves to advance or improve the Company or its performance, then 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 29, 2020, 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 29, 2020, 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 Christopher C. Colson, 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,

Christopher C. Colson
Corporate Secretary

Louisville, Kentucky

April 2, 2021

Please vote your shares through any of the methods described on the proxy card as promptly as possible, whether 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.

APPENDIX A

TEXAS ROADHOUSE, INC.
2021 LONG-TERM INCENTIVE PLAN

1. **GENERAL.**

1.1 ***Defined Terms***. The meaning of capitalized terms used in the Plan are set forth in Section 2.

1.2 ***Purpose***. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates and the Company's shareholders.

1.3 ***Available Awards***. The following types of Awards may be granted under the Plan: (i) Options (including both Incentive Stock Options and Non-Qualified Stock Options), (ii) Stock Appreciation Rights, and (iii) Full Value Awards.

1.4 ***Eligibility***. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among Eligible Persons those persons who will be granted one or more Awards under the Plan. Notwithstanding the foregoing, Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options, including Full Value Awards, may be granted to any Eligible Person.

2. **DEFINITIONS.**

2.1 "***Affiliate***" means a corporation or other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. For purposes of the Plan, an ownership interest of at least fifty percent (50%) shall be deemed to be a controlling interest.

2.2 "***Award***" means any Option, Stock Appreciation Right Full Value Award, or any other right granted under the Plan.

2.3 "***Award Agreement***" means an agreement between the Company and a Participant (which agreement may be in writing, electronic or such other form determined by the Committee) evidencing the terms and conditions of an individual Award grant. Each Award Agreement shall include such terms and conditions, not inconsistent with the Plan, as determined by the Committee.

2.4 "***Board***" means the Board of Directors of the Company.

2.5 "***Change in Control***" means that one (1) of the following events has taken place:

(a) consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than fifty percent (50%) of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation;

(b) consummation of a sale or disposition of all or substantially all of the assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately before such sale or disposition); or

(c) any Person becomes the beneficial owner (as determined pursuant to Section 13(d) of the Exchange Act) of securities representing in excess of fifty percent (50%) of the aggregate voting power of the outstanding securities of the Company as required to be disclosed in a report on Schedule 13D of the Exchange Act.

2.6 “***Code***” means the Internal Revenue Code of 1986, as amended.

2.7 “***Committee***” means the Compensation Committee of the Board. Notwithstanding the foregoing, so long as the Company is subject to Section 16 of the Exchange Act, the Committee shall consist of not fewer than two (2) members of the Board or such greater number as may be required for compliance with Rule 16b-3 issued under the Exchange Act and shall be comprised of persons who are independent for purposes of applicable stock exchange listing requirements.

2.8 “***Common Stock***” means the Common Stock, $0.001 par value, of the Company.

2.9 “***Company***” means Texas Roadhouse, Inc., a Delaware corporation.

2.10 “***Consultant***” means any person, including an advisor, (a) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services, or (b) serving as a member of the board of directors of an Affiliate and who is compensated for such services. The term “Consultant” shall not include Directors.

2.11 “***Continuous Service***” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director, or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, shall not terminate a Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director shall not constitute an interruption of Continuous Service. The Board or the Chairman of the Company (the “***Chairman***”) or if there is no Chairman, then the Chief Executive Officer of the Company (the “***CEO***”), in that party’s sole discretion (other than the Chairman or CEO [as applicable] as to his or her own absence), may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company’s leave of absence policy or in the written terms of the Participant’s leave of absence. If any Award under the Plan is subject to Section 409A of the Code, a Participant’s Continuous Service shall terminate on the date the Participant has a separation from service or termination of employment within the meaning of Section 409A of the Code.

2.12 “***Director***” means a member of the Board who is not an Employee.

2.13 “***Disability***” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

2.14 “***Effective Date***” is defined in Subsection 7.1.

2.15 “***Eligible Persons***” means Employees, Directors and Consultants.

2.16 “***Employee***” means any person employed by the Company or an Affiliate; provided, however, that for purposes of the grant of an Incentive Stock Option, an Employee means any person who is employed by the Company or an Affiliate that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. Service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

2.17 “***Exchange Act***” means the Securities Exchange Act of 1934, as amended.

2.18 “***Exercise Price***” is defined in Subsection 5.2.

2.19 “***Expiration Date***” is defined in Subsection 5.5.

2.20 "***Fair Market Value***" means, as of any date, the value of a share of Common Stock determined in accordance with the following rules:

(a) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the closing price per share of Common Stock on the principal exchange on which the Common Stock is then listed or admitted to trading on the last trading day preceding the date on which Fair Market Value is to be determined, or if no such sale is reported on that date, on the last preceding date on which a sale was so reported, all as reported in the Wall Street Journal or such other source as the Committee deems reliable.

(b) If the Common Stock is not at the time listed or admitted to trading on a stock exchange, then the Fair Market Value shall be the value determined in good faith by the Committee by reasonable application of a reasonable valuation method, considering all information that the Committee determines to be relevant, consistent with Section 409A of the Code and other applicable law.

2.21 "***Full Value Award***" is defined in Subsection 6.1.

2.22 "***Incentive Stock Option***" means an Option that is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

2.23 "***Non-Qualified Stock Option***" means an Option that is not intended to qualify as an Incentive Stock Option.

2.24 "***Option***" means an Award that entitles the Participant to purchase shares of Common Stock at an Exercise Price established by the Committee at the time the Option is granted. An Option may be an Incentive Stock Option or a Non-Qualified Stock Option.

2.25 "***Participant***" means any person to whom an Award is granted under the Plan.

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

2.27 "***Plan***" means this Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan.

2.28 "***Prior Plan***" means the Texas Roadhouse, Inc. 2013 Equity Incentive Plan.

2.29 ***"Recycled Shares"*** is defined in Subsection 4.1(b).

2.30 "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

2.31 "***Securities Act***" means the Securities Act of 1933, as amended.

2.32 "***Stock Appreciation Right***" or "***SAR***" means an Award that entitles the Participant to receive, in cash or shares of Common Stock (as determined in accordance with the terms of the Plan) value equal to the excess of: (a) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise; over (b) the Exercise Price established by the Committee at the time of grant.

2.33 "***Substitute Award***" means an Award granted or shares of Common Stock issued by the Company in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines. In no event shall the issuance of Substitute Awards change the terms of such previously granted awards such that the change, if applied to a current Award, would be prohibited under Subsection 5.6.

3. **<u>ADMINISTRATION</u>.**

3.1 ***Administration by Committee***. The authority to control and manage the operation and administration of the Plan shall be vested in the Committee. If the Committee does not exist, or for any other reason determined by the Board, then the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

3.2 ***Powers of Committee***. The power, authority and discretion to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following and the express limitations of the Plan:

(a) The Committee will have the power, authority and discretion to (i) determine from time to time which of the Eligible Persons shall be granted Awards; when and how each Award shall be granted and the number of shares of Common Stock subject to any Award; what type or combination of types of Award shall be granted; the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock or cash pursuant to an Award and any restrictions, performance targets and other terms and conditions of Awards; and the number of shares of Common Stock with respect to which an Award shall be granted to each such person; (ii) modify the terms of, cancel or suspend Awards; (iii) reissue or repurchase Awards; and (iv) accelerate the exercisability or vesting of all or any portion of an Award.

(b) The Committee shall have the power, authority and discretion to conclusively construe and interpret the Plan and Awards granted under it, to establish, amend, rescind, and revoke rules and regulations for its administration, to determine the terms and provisions of any agreements made pursuant to the Plan and otherwise to make all other determinations that may be necessary or advisable for the administration of the Plan. The Committee, in the exercise of this power, authority and discretion, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(c) The Committee shall have the authority to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan.

3.3 ***Delegation of Committee Duties***. Except to the extent prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed, the Committee may allocate all or any portion of its responsibilities and powers to any one (1) or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

3.4 ***Effect of Committee's Decision***. All determinations, interpretations and constructions made by the Committee in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

3.5 ***Information to be Furnished to the Committee***. The Company and its Affiliates shall furnish the Committee such data and information as may be required or requested for it to discharge its duties under the Plan. The records of the Company and its Affiliates as to an Eligible Person's or Participant's employment or provision of services, termination of employment or cessation of the provision of services, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Upon written request from the Committee, the Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee consider desirable to carry out the terms of the Plan.

3.6 ***Liability and Indemnification of Committee***. No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his or her own fraud or willful misconduct; nor shall the Company or any Affiliate be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Company or Affiliate. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Company against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature that may be imposed on, incurred by or asserted against the Committee

or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

3.7 ***Special Vesting Rules***. Notwithstanding the provisions of Subsection 3.2 or any other provision of the Plan, except for (a) Awards granted under the Plan with respect to shares of Common Stock which do not exceed, in the aggregate, five percent (5%) of the total number of shares of Common Stock reserved for issuance pursuant to Subsection 4.1(b), (b) Awards granted in lieu of other compensation, (c) Awards that are a form of payment of earned performance awards or other incentive compensation, (d) new hire awards, or (e) Awards granted to Employees who have completed a minimum period of service with the Company and its Affiliates of at least three (3) years, any Award granted under the Plan shall condition a Participant's right to become vested in the Award on completion of a minimum period of service with the Company or any of its Affiliates of at least one (1) year in the case of a service-based award and a minimum performance period of at least one (1) year in the case of a performance-based award, except if accelerated in the event of the Participant's death or Disability, retirement, involuntary termination, or Change in Control.

4. **SHARES SUBJECT TO THE PLAN; LIMITATIONS.**

4.1 ***Shares Subject to the Plan***. Subject to the provisions of Subsection 4.2 (relating to adjustments to shares and limitations) and the other terms and conditions of the Plan, the shares of Common Stock that may be issued pursuant to Awards granted under the Plan shall be subject to the following:

(a) The shares of Common Stock subject to the Plan may be currently authorized but unissued shares, currently held or shares reacquired by the Company, or shares purchased in the open market or private transactions.

(b) Subject to the provisions of Subsection 4.2 (relating to the adjustment to shares and limitations) the number of shares of Common Stock that may be issued with respect to Awards under the Plan shall be equal to Five Million (5,000,000) plus the aggregate number of shares of Common Stock available for issuance (and not subject to outstanding awards) under the Prior Plan as of the Effective Date. Except as otherwise provided herein, any shares of Common Stock subject to an Award under the Plan or any award that is outstanding under the Prior Plan as of the Effective Date (other than, in any case Substitute Awards) which for any reason is forfeited, expires or is terminated without issuance of shares of Common Stock (including shares that are attributable to Awards that are settled in cash) and shares subject to such awards that are tendered or withheld in payment of the taxes with respect to the grant, vesting or payment of an award that is a Full Value Award (whether granted under the Plan or the Prior Plan) (collectively, "***Recycled Shares***") shall thereafter be available for further grants under the Plan. Shares of Common Stock that are withheld to pay the exercise price of an Option (including by means of a net exercise) or the taxes payable upon exercise of an Option or SAR (whether granted under the Plan or the Prior Plan) shall not be Recycled Shares for purpose of the Plan. Upon stock settlement of SARs, the gross number of shares of Common Stock subject to the SARs originally granted shall be counted as issued for purposes of the limitations of this Subsection 4.1(b), regardless of the number of shares of Common Stock actually issued upon such Common Stock settlement. Shares of Common Stock covered by an Award shall only be counted as used to the extent that they are actually used. Shares subject to Substitute Awards shall not reduce the number of shares of Common Stock that may be issued under the Plan or that may be covered by Awards granted to any one (1) Participant during any period pursuant to Subsections 4.1(d) or 4.1(e).

(c) The maximum number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options granted under the Plan shall be Five Million (5,000,000); provided, however, that to the extent that shares not delivered must be counted against this limit as a condition of satisfying the rules applicable to Incentive Stock Options, such rules shall apply to the limit on Incentive Stock Options under the Plan.

(d) The maximum number of shares of Common Stock granted to any one (1) Participant during any one (1) calendar-year period pursuant to Section 5 (relating to Options and SARs) shall be Five Hundred Thousand (500,000) shares. For purposes of this Subsection 4.1(d), if an Option is in tandem with an SAR, such that the exercise of the Option or SAR with respect to a share of Common Stock cancels the tandem SAR or Option, respectively, with respect to such

share, the tandem Option and SAR with respect to each share of Common Stock shall be counted as covering only one (1) share of Common Stock for purposes of applying the limitations of this Subsection 4.1(d).

(e) For Full Value Awards, no more than Five Hundred Thousand (500,000) shares of Common Stock may be delivered pursuant to such Awards granted to any one (1) Participant during any one (1) calendar-year period (regardless of whether settlement of the Award is to occur prior to, at the time of, or after the time of vesting); provided that Awards described in this Subsection 4.1(e) shall be subject to the following:

(i) If the Awards are denominated in Common Stock but an equivalent amount of cash is delivered in lieu of delivery of shares of Common Stock, the foregoing limit shall be applied based on the methodology used by the Committee to convert the number of shares of Common Stock into cash.

(ii) If delivery of Common Stock or cash is deferred until after the Common Stock has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the Common Stock is earned shall be disregarded.

(f) The total compensation which a Director may receive in any one (1) fiscal year of the Company shall not exceed Five Hundred Thousand and 00/100 Dollars ($500,000.00), calculated by adding (i) the total cash compensation to be otherwise paid for services rendered in the fiscal year to (ii) the grant date value of any Common Stock granted pursuant to an Award in that fiscal year. In the event the aggregate compensation of such Director, including the grant date value of any Award, reaches Five Hundred Thousand and 00/100 Dollars ($500,000.00) in any given fiscal year, then no additional cash compensation shall be due or paid to such Director, and no additional Awards shall be made to such Director, during the remainder of such fiscal year.

4.2 ***Adjustment to Shares and Limits***. In the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, (a) adjust the number and kind of shares that may be delivered under the Plan (including adjustments to the number and kind of shares that may be granted to an individual during any specified time as described in Subsection 4.1); (b) adjust the number and kind of shares subject to outstanding Awards; (c) adjust the Exercise Price of outstanding Options and SARs; and (d) make any other adjustments that the Committee determines to be equitable (which may include, without limitation, (i) replacement of Awards with other awards that the Committee determines have comparable value and that are based on stock of a company resulting from the transaction, and (ii) cancellation of the Award in return for cash payment of the current value of the Award, determined as though the Award is fully vested at the time of payment, provided that in the case of an Option or SAR, the amount of such payment may be the excess of value of the shares of Common Stock subject to the Option or SAR at the time of the transaction over the Exercise Price).

5. **OPTIONS AND STOCK APPRECIATION RIGHTS.**

5.1 ***Eligibility***. The Committee shall designate the Participants to whom Options or SARs are to be granted under the Plan and shall determine the number of shares of Common Stock subject to each such Option or SAR and the other terms and conditions thereof, not inconsistent with the Plan. Without limiting the generality of the foregoing, the Committee may not grant dividend equivalent rights (current or deferred) with respect to any Option or SAR granted under the Plan. Options may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee; provided, however, that Incentive Stock Options may only be granted to Employees. An Option will be deemed to be a Non-Qualified Stock Option unless it is specifically designated by the Committee as an Incentive Stock Option. Any Option that is intended to constitute an Incentive Stock Option shall satisfy any other requirements of Section 422 of the Code and, to the extent such Option does not satisfy such requirements, the Option shall be treated as a Non-Qualified Stock Option.

5.2 ***Exercise Price***. The "Exercise Price" of each Option or SAR shall be established by the Committee at the time of grant; provided, however, that in no event shall such price be less than one hundred percent (100%) of the Fair

Market Value of a share of Common Stock on the date the Option or SAR is granted (or, if greater, the par value of a share of Common Stock on that date).

5.3 ***Vesting and Exercisability***. The terms and conditions relating to exercise and vesting of an Option or SAR shall be established by the Committee to the extent not inconsistent with the Plan and may include, without limitation, conditions relating to Continuous Service, achievement of performance standards prior to exercise or achievement of Common Stock ownership guidelines by the Participant. No Option or SAR may be exercised by a Participant prior to the date on which it is vested (or exercisable) or after the Expiration Date applicable thereto.

5.4 ***Payment of Exercise Price of Options***. The Exercise Price of an Option shall be paid, to the extent permitted by applicable statutes and regulations and except as otherwise limited in the Award Agreement, either at the time the Option is exercised (except that, in the case of an exercise through the use of cash equivalents, payment may be made as soon as practicable after exercise) by any of the following forms (a) cash or cash equivalents, (b) tender to the Company, by actual delivery or by attestation, shares of Common Stock valued at Fair Market Value as of the day of exercise, (c) in any other form of legal consideration that may be acceptable to the Committee, or (d) any combination thereof as determined by the Committee; provided, however, that shares of Common Stock may not be used to pay any portion of the Exercise Price unless the holder thereof has good title, free and clear of all liens and encumbrances. Unless otherwise determined by the Committee, any portion of the Exercise Price that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid the treatment of the Option as a variable award for financial accounting purposes).

5.5 ***Expiration Date***. The "***Expiration Date***" with respect to an Option or SAR means the date established as the Expiration Date by the Committee at the time of the grant (as the same may be modified in accordance with the terms of the Plan). An Option or SAR shall not be exercisable after the Expiration Date and, as of any date, an Option or SAR shall only be exercisable with respect to the portion thereof that is otherwise exercisable (or vested). Unless otherwise determined by the Committee, the Expiration Date of an Option or SAR shall be determined in accordance with the following:

(a) In the event that a Participant's Continuous Service terminates (other than upon the Participant's death or Disability), the Expiration Date shall be the date that is three (3) months following the termination of the Participant's Continuous Service.

(b) In the event that a Participant's Continuous Service terminates as a result of the Participant's Disability, the Expiration Date shall be the date that is twelve (12) months following such termination.

(c) In the event that (i) a Participant's Continuous Service terminates as a result of the Participant's death or (ii) the Participant's Continuous Service terminates for a reason other than death but the Participant dies after termination but prior to the Expiration Date of the Option or SAR, the Expiration Date shall be the date that is twelve (12) months following the date of termination.

Notwithstanding any provision of the Plan or any Award Agreement, in no event shall the Expiration Date of an Option or SAR be later than the tenth (10th) anniversary of the date on which it was granted. Any Option or SAR that is not exercised prior to the Expiration Date shall immediately terminate.

5.6 ***No Repricing***. Except for either adjustments pursuant to Subsection 4.2 (relating to the adjustment of shares), or reductions of the Exercise Price approved by the Company's shareholders, the Exercise Price of any outstanding Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR granted under the Plan be surrendered to the Company as consideration for the grant of a replacement Option or SAR with a lower Exercise Price or a Full Value Award. Except as approved by the Company's shareholders, in no event shall any Option or SAR granted under the Plan be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the Exercise Price of the Option or SAR is greater than the then current Fair Market Value of a share of Common Stock. In addition, no repricing of an Option or SAR shall be permitted without the approval of the Company's shareholders if such approval is required under the rules of any stock exchange on which Common Stock is listed.

5.7 ***Post-Exercise Limitations***. The Committee, in its discretion, may impose such restrictions on shares of Common Stock acquired pursuant to the exercise of an Option as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, Common Stock ownership by the Participant, conformity with the Company's recoupment or clawback policies and such other factors as the Committee determines to be appropriate.

6. **FULL VALUE AWARDS.**

A "***Full Value Award***" is a grant of one or more shares of Common Stock or a right to receive one or more shares of Common Stock (or cash based on the value of Common Stock) in the future (including restricted stock, restricted stock units, performance shares, and performance units) which is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Committee or in consideration of a Participant's previously performed services or surrender or other compensation that may be due. The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement. Notwithstanding the foregoing, no dividends or dividend equivalent rights will be paid or settled on Full Value Awards that have not been earned or vested.

7. **MISCELLANEOUS.**

7.1 ***Effective Date.*** The Plan will be effective as of the date it is adopted by the Board and approved by a majority of the shareholders of the Company (the "***Effective Date***"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards granted under it are outstanding and not fully vested or paid, as applicable; provided, however, that no new Awards shall be made under the Plan on or after the tenth (10th) anniversary of the Effective Date. Any awards made under the Prior Plan shall continue to be subject to the terms and conditions of the Prior Plan.

7.2 ***Limits on Distribution***. Distribution of Common Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any Common Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(b) In the case of a Participant who is subject to Sections 16(a) and 16(b) of the Exchange Act, the Committee may, at any time, add such conditions and limitations to any Award to such Participant, or any feature of any such Award, as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.

(c) To the extent that the Plan provides for issuance of certificates to reflect the transfer of Common Stock, the transfer of such Common Stock may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed.

7.3 ***Liability for Cash Payments***. Subject to the provisions of this Section 7, each Affiliate shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such payment is attributable to the services rendered for that Affiliate by the Participant. Any disputes relating to liability of an Affiliate for cash payments shall be resolved by the Committee.

7.4 ***Shareholder Rights***. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms.

7.5 ***No Employment or Other Service Rights***. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in

the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate (a) the employment of an Employee with or without notice and with or without cause, (b) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (c) the service of a director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or an Affiliate is incorporated, as the case may be.

7.6 ***Withholding Obligations***. To the extent provided by the terms of an Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid variable award accounting); or (c) delivering to the Company owned and unencumbered shares of Common Stock. For purposes of tax withholding, the fair market value of the shares will be determined at the time the withholding is required.

7.7 ***Transferability***. Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. To the extent that a Participant has the right to exercise an Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions of this Subsection 7.7, the Committee may provide that, Awards may be transferred to or for the benefit of the Participant's family (including, without limitation, to a trust or partnership for the benefit of a Participant's family), subject to such procedures as the Committee may establish; provided, however, that in no event shall an Incentive Stock Option be transferable to the extent that such transferability would violate the requirements applicable to such option under Section 422 of the Code.

7.8 ***Choice of Law***. The laws of the Commonwealth of Kentucky shall govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of laws rules except to the extent that the laws of the State of Delaware apply to corporate actions or the issuance of equity.

7.9 ***Notices***. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company, as applicable, at its principal executive offices. The Committee may, by advance written notice to affected persons, revise such notice procedure from time to time. Any notice required under the Plan (other than a notice of election) may be waived by the person entitled to notice.

7.10 ***Form and Time of Elections***. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be in writing filed with the applicable Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

7.11 ***Action by the Company or Affiliate***. Any action required or permitted to be taken by the Company or any Affiliate shall be by resolution of its board of directors or governing body or by action of one or more members of the board or governing body (including a committee of the board or governing body) who are duly authorized to act for the board or by a duly authorized officer of the Company.

7.12 ***Gender and Number***. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

7.13 ***Non-U.S. Individuals***. Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or

jurisdictions in which the Company or any Affiliate operates or has employees. The foregoing provisions of this Subsection 7.13 shall not be applied to increase the share limitations of Section 4 or to otherwise change any provision of the Plan that would otherwise require the approval of the Company's shareholders.

8. **CHANGE IN CONTROL.**

An Award held by any Participant whose Continuous Service has not terminated prior to the effective time of a Change in Control may be subject to acceleration of vesting and exercisability upon or after such event as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant or otherwise pursuant to such Award.

9. **AMENDMENT AND TERMINATION.**

The Board may, at any time, amend or terminate the Plan, and the Committee may amend any Award Agreement; provided, however that (a) no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the Participant's affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee, if applicable); (b) adjustments pursuant to Subsection 4.2 (relating to adjustment to shares) shall not be subject to the foregoing limitations of this Section 9; (c) the provisions of Subsection 5.6 (relating to Option and SAR repricing) cannot be amended unless the amendment is approved by the Company's shareholders; and (d) no other amendment shall be made to the Plan without the approval of the Company's shareholders if such approval is required by law or the rules of any stock exchange on which the Common Stock is listed. It is the intention of the Company that, to the extent that any provisions of the Plan or any Awards granted hereunder are subject to Section 409A of the Code, the Plan and the Awards comply with the requirements of Section 409A of the Code. The Plan and all Awards granted under the Plan will be administered in accordance with the requirements of Section 409A of the Code to the extent applicable and the Board or the Committee shall have the authority to amend the Plan or any Award Agreement as it deems necessary to conform to Section 409A of the Code. Notwithstanding the foregoing, the Company does not guarantee that Awards under the Plan will comply with Section 409A of the Code and the Committee is under no obligation to make any changes to any Award to cause such compliance.

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 29, 2020
OR

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

For the transition period from to

Commission File Number **000-50972**

Texas Roadhouse, Inc.
(Exact name of registrant specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered accounting firm that prepared or issued its audit report. ☒

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 30, 2020 was $3,425,613,443 based on the closing stock price of $52.57. 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 69,619,435 on February 17, 2021.

Portions of the registrant’s definitive Proxy Statement for the registrant’s 2021 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 29, 2020, 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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	Signatures	

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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. 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 successfully execute our growth strategies;
- our ability to successfully open new restaurants, acquire franchise restaurants and/or execute other strategic initiatives;
- 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;
- the continued impact of the COVID-19 pandemic, or subsequent pandemics, on our business including government restrictions on dining room capacity, or any labor or supply chain shortages;
- 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 federal or state minimum wage changes, market wage levels, health care, and workers' compensation insurance costs;
- inflationary increases in the costs of construction and/or real estate;
- changes in consumer preferences and demographic trends;
- the impact of initiatives by competitors and increased competition generally;
- our ability to successfully expand into new and existing domestic and international markets;
- risks associated with partnering in markets with franchisees or other investment partners with whom we have no prior history and whose interests may not align with ours;
- risks associated with developing and successfully operating new concepts or strategic initiatives;
- security breaches of confidential guest information in connection with our electronic processing of credit and debit card transactions or the failure of our information technology systems;
- the rate of growth of general and administrative expenses associated with building a strengthened corporate infrastructure to support our initiatives;

- negative publicity regarding food safety, health concerns and other food or beverage related matters, including the integrity of our or our suppliers' food processing;
- our franchisees' adherence to the terms of the franchise agreement;
- potential fluctuation in our quarterly operating results due to seasonality and other factors;
- supply and delivery shortages or interruptions;
- our ability to adequately protect our intellectual property;
- our ability to raise capital in the future;
- 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, except as required by applicable law.

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 634 restaurants in 49 states and ten 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 29, 2020, we owned and operated 537 restaurants and franchised an additional 69 domestic restaurants and 28 international restaurants.

Narrative Description of Business

Of the 537 restaurants we owned and operated at the end of 2020, we operated 503 as Texas Roadhouse restaurants, 31 as Bubba's 33 restaurants and three as Jaggers 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.

Jaggers is a fast-casual restaurant concept offering burgers, hand-breaded chicken tenders and chicken sandwiches served with scratch-made sauces. In addition, we offer fresh salads that are chopped and tossed when ordered and served with homemade dressings. Jaggers offers drive-thru, carry-out, and dine-in service options. Our first Jaggers restaurant opened in December 2014 in Noblesville, Indiana.

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 537 company restaurants is considered an operating segment.

COVID-19 Impact

On March 13, 2020, the novel coronavirus ("COVID-19") pandemic (the "pandemic") was declared a National Public Health Emergency. Shortly after the national emergency declaration, state and local officials began placing restrictions on restaurants, some of which allowed To-Go or curbside service only while others limited capacity in the dining room. By late March, all of our domestic company and franchise restaurants were under state or local order which only allowed for To-Go or curbside service. Beginning in early May 2020, state and local guidelines began to allow dining rooms to re-open, typically at a limited capacity. While all of our dining rooms were able to open in some capacity, many were required to close again in areas more severely impacted by the pandemic. As of December 29, 2020, 82% of our company restaurants had their dining rooms operating under various limited capacity restrictions. Our remaining restaurants were limited to outdoor and/or To-Go or curbside service only.

In response to the impact of the pandemic on our restaurant operations, we have developed a hybrid operating model that accommodates our limited capacity dining rooms together with enhanced To-Go, which includes a curbside and/or drive-up operating model, as permitted by local guidelines. This includes design changes to our building to better accommodate the increased To-Go sales and the expansion of outdoor seating areas where allowed. We also have installed booth partitions in all of our restaurants as an added safety measure for our guests. In addition, we have increased our already strict sanitation requirements, are conducting daily health and temperature checks for all employees before they begin their shift and are requiring personal protective equipment to be worn by all restaurant employees at all times. As we work through the local regulations at each of our locations, the safety of our employees and guests remains our top priority.

As a result of the dining room restrictions and temporary closures, we have experienced a significant decrease in traffic which has impacted our operating results. While the majority of our dining rooms have re-opened, a significant portion continue to operate under capacity restrictions that severely limit the number of guests we can serve. In addition, while we have seen significant sales growth in our To-Go program, even with dining rooms re-opened, we currently do not expect these sales will generate a similar profit margin and cash flows to our normal operating model. We expect our operating results to continue to be impacted until at least such time that all state and local restrictions are lifted, and our dining rooms can operate at full capacity. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, or the extent to which our dining rooms will have to close again. In addition, we cannot predict the overall impact on the economy or consumer spending habits. The impact on our operating results as well as the operational and financial measures we have implemented in response to the pandemic have been included throughout this report.

In response to the pandemic, the Company and our Board of Directors implemented the following measures in 2020 to enhance financial flexibility:

- Decreased the number of planned new restaurants for 2020;
- Suspended all quarterly cash dividends occurring after March 27, 2020;
- Suspended all share repurchase activity;
- Expanded the capacity of the revolving credit facility and increased the borrowings by $240 million; and
- Decreased compensation including voluntary reductions of salary and bonus for the executive and leadership teams to make relief grants available for restaurant employees. Each non-employee member of the Board of Directors also volunteered to forgo their director and committee fees along with any cash retainers effective April 1, 2020 and continuing throughout fiscal 2020.

Effective March 27, 2020, legislation referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed to benefit companies that were significantly impacted by the pandemic. This legislation allowed for the deferral of the social security portion of the employer portion of FICA payroll taxes from the date of enactment through the end of 2020. Amounts are required to be repaid in equal installments at the end of 2021 and 2022. As of December 29, 2020, the Company had deferred $47.3 million in payroll taxes with the amount due in 2021 included in accrued wages and payroll taxes and the amount due in 2022 included in other liabilities in our consolidated balance sheets.

The CARES Act also allowed for an Employee Retention Credit for companies severely impacted by the pandemic to encourage the retention of full-time employees. This refundable payroll tax credit was available for any company that had fully or partially suspended operations due to government order or experienced a significant decline in gross receipts and had employees who were paid but did not actually work. The Company provided various forms of relief pay for hourly restaurant employees throughout the year, a significant portion of which qualified for this tax credit. For the year ended December 29, 2020, we recorded $7.0 million related to this credit which is included in labor expense in our consolidated statements of income and comprehensive income.

Finally, the CARES Act provided for small business loans that were forgivable if certain criteria were met. The Company did not pursue any of these loans on behalf of company restaurants as we believe we have sufficient alternatives for raising capital if needed.

Operating Strategy

Although a significant portion of 2020 required us to focus on adapting our business to account for the impacts of the pandemic, we remain committed to our core operating strategy that has defined and grown our brand. The operating strategy that underlies this growth is built on the following key components:

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

- *Offering performance-based manager compensation.* We offer a performance-based compensation program to our individual restaurant managers and multi-restaurant operators, who are called "managing partners" and "market partners," respectively. Each of these partners earns a base salary plus a performance bonus, which represents a percentage of each of their respective restaurant's pre-tax income. As a result of the pandemic and the impact on restaurant operating results, we guaranteed a portion of these performance bonuses in the periods that were the most significantly impacted. By providing our partners with a significant stake in the success of our restaurants and underscoring our long-term commitment to them during the pandemic with guaranteed bonuses, we believe that we are able to attract and retain talented, experienced and highly motivated managing and market partners.

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

- *Offering attractive price points.* We offer our food and beverages at moderate price points that we believe are as low as or lower than those offered by many of our competitors in any given market. Within each menu category, we offer a choice of several price points with the goal of fulfilling each guest's budget and value expectations. For example, at our Texas Roadhouse restaurants, our steak entrées, which include the choice of two side items, generally range from $10.99 for our 6-ounce Sirloin to $26.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2020 was $17.86. 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 $9.99 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, our restaurants continuously play upbeat country hits. Our Bubba's 33 restaurants feature walls lined with televisions playing sporting 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 7,600 square feet of space constructed on sites of approximately 1.5 to 2.2 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 current prototypical Bubba's 33 restaurants consist of a freestanding building with approximately 7,500 square feet of space with seating for approximately 270 guests.

In response to the pandemic, we made building modifications to a number of existing restaurants. These changes were made to better accommodate the increase in our To-Go sales and/or expand our outdoor dining arrangements. We are currently evaluating the possibility of integrating these changes into our prototypical Texas Roadhouse and Bubba's 33 restaurant designs.

As of December 29, 2020, we leased 389 properties and owned 148 properties. Our 2020 average unit volume for all Texas Roadhouse company restaurants open before June 25, 2019 was $4.6 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 2020, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the 18 Texas Roadhouse company restaurants opened during the year was $6.2 million, broken down as follows:

	Average Cost	Low	High
Land(1)	$ 1,515,000	$ 1,100,000	$ 1,950,000
Building(2)	2,570,000	1,875,000	4,055,000
Furniture and Equipment	1,320,000	1,220,000	1,440,000
Pre-opening costs	790,000	560,000	1,000,000
Other(3)	30,000	—	350,000
Total	$ 6,225,000		

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

(2) Includes site work costs.

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

For 2020 and 2019, our average capital investment for the Texas Roadhouse restaurants was $6.2 million and $5.6 million, respectively. The increase in our 2020 average capital investment was primarily due to higher land and building costs. The higher land costs were due to increased rent amounts at several sites. The higher building costs were due to higher material costs and construction delays related to the pandemic. We expect our average capital investment for restaurants to be opened in 2021 to be approximately $5.5 million.

Our average capital investment for the Bubba's 33 restaurants opened in 2020 and 2019 was $7.3 million and $6.9 million, respectively. The increase in our 2020 average capital investment for our Bubba's 33 restaurants was primarily due to higher building costs, in particular at one site in a more expensive area. We expect our average capital investment for restaurants to be opened in 2021 to be approximately $6.9 million.

We remain focused on driving sales and managing restaurant investment costs in order to maintain our restaurant development in the future. Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of required site work, geographical location, 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.

Site Selection

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

Existing Restaurant Locations

As of December 29, 2020, we had 537 company restaurants and 97 franchise restaurants in 49 states and ten foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	8	—	8
Alaska	2	—	2
Arizona	19	—	19
Arkansas	6	—	6
California	4	9	13
Colorado	17	1	18
Connecticut	5	—	5
Delaware	2	2	4
Florida	41	—	41
Georgia	12	4	16
Idaho	5	—	5
Illinois	17	—	17
Indiana	21	8	29
Iowa	10	—	10
Kansas	6	1	7
Kentucky	15	2	17
Louisiana	10	1	11
Maine	3	—	3
Maryland	8	6	14
Massachusetts	10	1	11
Michigan	16	3	19
Minnesota	5	—	5
Mississippi	3	—	3
Missouri	17	—	17
Montana	—	1	1
Nebraska	3	1	4
Nevada	2	—	2
New Hampshire	3	—	3
New Jersey	10	—	10
New Mexico	6	—	6
New York	21	—	21
North Carolina	20	—	20
North Dakota	2	1	3
Ohio	33	2	35
Oklahoma	8	—	8
Oregon	2	—	2
Pennsylvania	25	6	31
Rhode Island	3	—	3
South Carolina	3	6	9
South Dakota	2	—	2
Tennessee	15	1	16
Texas	71	5	76
Utah	9	1	10
Vermont	1	—	1
Virginia	19	—	19
Washington	2	1	3
West Virginia	3	3	6
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	537	69	606
Bahrain	—	1	1
China	—	1	1
South Korea	—	2	2
Kuwait	—	3	3
Mexico	—	1	1
Philippines	—	5	5
Qatar	—	1	1
Saudi Arabia	—	5	5
Taiwan	—	4	4
United Arab Emirates	—	5	5
Total international restaurants	—	28	28
Total system-wide restaurants	537	97	634

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 $9.99 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 $9.99. At Bubba's 33 restaurants, our menu prices, excluding appetizers, generally range from $9.99 to $19.99. We offer a broad assortment of wings, burgers, pizzas, salads and sandwiches. In addition, we also offer our guests a selection of pasta, chicken, beef and seafood entrées. Our Bubba's 33 restaurants also offer an extensive selection of draft beer and signature cocktails. 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. In addition, our full menu is available through our mobile apps or on-line which allows for To-Go pickup.

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 8.6% of restaurant sales in fiscal 2020. As a result of the significant increase in To-Go sales due to the pandemic, we sold fewer alcoholic beverages compared to fiscal 2019.

We always strive to maintain a consistent menu at our restaurants. 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 and sanitation 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 are purchased from qualified vendors who are regularly audited by reputable, outside inspection services confirming that the vendor is compliant with United States Food and Drug Administration and United States Department of Agriculture 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 Hazard Analysis Critical Control Points principles and critical procedures (such as hand washing) in each recipe. All restaurant managers are required to complete the American National Standards Institute Certified Food Manager training. 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.

We also implemented additional sanitation requirements in the current year in response to the pandemic. This included adding a sanitation coordinator position at each location who is responsible for cleaning high touch areas, adding hand sanitizer stations at each restaurant, and supplying each restaurant with a chemical sanitation sprayer. These requirements are in addition to the daily health and temperature checks for all employees before they begin their shift as well as the requirement for personal protective equipment to be worn by all restaurant employees at all times.

During 2020, we began participating in the Ecolab Science Certified Inspection program. This program evaluates our restaurants on COVID-19 cleaning procedures as well as food safety, general cleanliness and safety procedures. As of December 29, 2020, over 75% of our domestic system-wide stores had been certified under this program with the remainder expected to be certified in early 2021.

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, team work and staff attentiveness and manage interaction in the dining room. The service coach team supports substantially all restaurants system-wide.

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

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 wood walls and stained concrete floors and are decorated with hand-painted murals, neon signs, southwestern prints, rugs and artifacts. The restaurants 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. As a result of the pandemic, our peanuts are currently served in individual bags and provided upon request. 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 the kitchen staff and overall kitchen operations including food preparation and food quality. Service managers have primary responsibility for managing the front of house staff and overall dining room operations including service quality and the guest experience. The assistant managers support our managing partners, kitchen, and service managers. All managers are responsible for maintaining our standards of quality and performance.

We use market partners to oversee the operation of our restaurants. Each market partner oversees a group of varying sizes of 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, including responsible alcohol service, and is typically conducted individually at our restaurants or in groups in Louisville, Kentucky. As a result of the pandemic, this training is currently being done virtually.

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 ten 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 television or print advertising to promote our brands. Earned local media 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 29, 2020, we had 25 franchisees that operated 97 Texas Roadhouse restaurants in 23 states and ten 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 ten franchisees and no franchisee operates more than 15 restaurants.

Our standard domestic franchise agreement has a term of ten 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. In 2020, we waived royalties of $0.4 million for international franchisees in countries that were significantly impacted by the pandemic. We also made royalty deferral arrangements for many of our domestic and international franchisees. The majority of these royalty waivers and deferral arrangements were provided in the periods most significantly impacted by the pandemic. “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 and one U.S. territory. We currently have signed franchise and/or development agreements in nine countries in the Middle East as well as Taiwan, the Philippines, Mexico, China, South Korea, Brazil and Puerto Rico. As of December 29, 2020, we had 15 restaurants open in five countries in the Middle East, four restaurants open in Taiwan, five in the Philippines, two in South Korea and one each in Mexico and China for a total of 28 restaurants in ten foreign countries. For the existing international agreements, the franchisee is generally required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

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

Franchise Compliance Assurance. We have various systems in place to promote compliance with our systems and standards, both during the development and operation of franchise restaurants. We actively work with our franchisees to support successful franchise operations as well as compliance with the Texas Roadhouse standards and procedures. During the restaurant development phase, we consent to the selection of restaurant sites and make available copies of our prototype building plans to franchisees. In addition, we ensure that the building design is in compliance with our standards. We provide training to the managing partner and up to three other managers of a franchisee’s first restaurant. We also provide trainers to assist in the opening of every domestic franchise restaurant and 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 five additional franchise restaurants in which neither we nor our founder have an ownership interest. Such management services may 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.

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, monthly, quarterly and year-to-date basis and beyond, on a company-wide, regional, market, 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.

As a result of the significant increase in To-Go and curbside service, we made several digital enhancements to improve the guest experience and better support our increased volumes. These enhancements include a new, fully customized digital experience that allows our guests to get on the waitlist or order pickup or curbside service. The new digital experience also has added gift card and payment functionality. We have also implemented texting systems which allow our dine-in guests to wait outside or in their cars and improved the To-Go experience for our To-Go guests. Finally, we have implemented systems for touchless menus and contactless payments for enhanced guest safety.

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 and better execution of off-premise sales, together with negative economic conditions could cause consumers to choose less

expensive alternatives. Although we believe that we compete favorably with respect to each of the above factors, other restaurants and retail establishments compete for the same casual dining guests, quality site locations and restaurant-level employees as we do. We expect intense competition to continue in all of these areas.

Trademarks

Our registered trademarks and service marks include, among others, our trade names and our logo and proprietary rights related to certain core menu offerings. We have registered all of our significant marks for our restaurants with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in 50 foreign jurisdictions. To better protect our brands, 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. In 2018, federal regulations went into effect under the Patient Protection and Affordable Care Act of 2010 ("PPACA") requiring new menu nutritional labeling requirements. As a result, we include calorie information on our menus and make additional nutritional information available at our restaurants and on our websites. Future regulatory action may occur which could result in further changes in the federal nutritional disclosure requirements.

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. In fiscal 2020, the sale of alcoholic beverages accounted for 8.6% of our Texas Roadhouse restaurant sales. As a result of the significant increase in To-Go sales due to the pandemic, we sold fewer alcoholic beverages compared to fiscal 2019.

Our restaurant operations are also subject to federal and state labor laws governing such matters as minimum and tipped wage requirements, overtime pay, health benefits, unemployment taxes, workers' compensation, work eligibility requirements, working conditions, safety standards, and hiring and employment practices. We have many restaurants located in states or municipalities where the minimum and/or tipped wage is greater than the federal minimum and/or tipped wage. We anticipate that additional federal and state legislation significantly increasing minimum and/or tipped wage standards will be enacted in future periods and in other jurisdictions. Further regulatory action may occur which could result in changes to healthcare eligibility, design and cost structure.

A significant number of our hourly restaurant personnel receive tips as part of their compensation and are paid at or

above a minimum wage rate after giving effect to applicable tips. We rely on our employees to accurately disclose the full amount of their tip income. We base our FICA tax reporting on the disclosures provided to us by such tipped employees.

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

As a result of the pandemic, certain state and local jurisdictions have enacted various health, safety and other regulations that have impacted our restaurants. Compliance with these regulations has led to decreased sales, increased costs, and operational complexity. We expect our operating results to continue to be impacted until at least such time that these regulations are lifted.

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 due to 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.

Beginning in March 2020, our quarterly operating results were severely impacted by the pandemic which resulted in significant fluctuations between quarters. We expect that our quarterly operating results will continue to fluctuate until such time that all dining room restrictions related to the pandemic are lifted.

Human Capital Management

As of December 29, 2020, we employed approximately 61,600 people. These employees include 681 executive and administrative personnel and 2,666 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. We consider our employee relations to be good.

Our business relies on our ability to attract and retain talented employees. To attract and retain talent, we strive to maintain our culture through shared core values, a performance-based compensation program supported by competitive benefits and health programs, and a diverse, inclusive and supportive workplace, with opportunities for our employees to grow and develop in their careers.

Maintaining our Culture and Core Values. In our restaurants and at our Support Center, we are committed to our shared Core Values of Passion, Partnership, Integrity, and Fun…all with Purpose. These Core Values form the foundation of who we are as a company and how we interact with respect, appreciation, and fairness towards one another every day. We also believe that diversity and inclusion are vital parts of our culture. We value and welcome employees of all walks of life to share their gifts and strengths while working in our restaurants and the Support Center, as we strive to reflect the communities we are proud to serve. As a result, we are committed to attracting, retaining, engaging and developing a workforce that mirrors the diversity of our guests and is committed to upholding our shared values.

Performance-based Compensation and Benefits. We support our employees by offering competitive wages and benefits for eligible employees. We also offer a performance-based compensation program to our managing partners and market partners. Each of these positions earns a base salary plus a performance bonus, which represents a percentage of each of their respective restaurant’s pre-tax income. As a result of the pandemic and the impact on restaurant operating results, we guaranteed a portion of these performance bonuses in the periods that were the most significantly impacted. 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.

In addition to salaries, these programs (which vary by employee level) include, among other items, bonuses, stock awards, retirement savings plans, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, paid parental leave and various employee assistance programs. As a result of the pandemic, we provided increased benefits to our employees in the form of enhanced sick pay and accrued vacation benefits and also provided a premium holiday on health insurance.

Development. We motivate and develop our employees by providing them with opportunities for increased responsibilities and advancement. We provide numerous training opportunities for our employees, with a focus on continuous learning and development. With thousands of leadership positions across our restaurants, we provide a pathway and training for thousands of individuals across the country to advance from entry-level jobs into management roles. In addition, our geographic footprint often allows us to offer our restaurant team members relocation options at similar roles when personal circumstances require it.

Health and Safety. The health and safety of our employees is a top priority. In response to the pandemic, we implemented changes at our restaurants to help protect our employees and guests. This included providing personal protective equipment for our employees, adding a sanitation coordinator position at each restaurant who is responsible for cleaning high touch areas, adding hand sanitizer stations at each restaurant, and supplying each restaurant with a chemical sanitation sprayer. In addition, the majority of our Support Center employees continue to work remotely. For the employees that continue to work on-site in our Support Center, we have implemented additional measures to ensure their safety including enhanced sanitation efforts and daily health and temperature checks. We believe we have been able to preserve our business continuity without sacrificing our commitment to keeping our employees safe during the pandemic.

Website Access to Reports

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

Information about our Executive Officers

Set forth below are the name, age, position and a brief account of the business experience of each of our executive officers. Executive officers are appointed by our Board of Directors and serve until their successors are elected or until resignation or removal, in accordance with their employment agreements. There are no family relationships among any of our executive officers.

Name	Age	Position
W. Kent Taylor	65	Chairman and Chief Executive Officer
Gerald L. Morgan	60	President
S. Chris Jacobsen	55	Chief Marketing Officer
Tonya R. Robinson	52	Chief Financial Officer
Douglas W. Thompson	57	Chief Operations 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.

Gerald L. Morgan. Mr. Morgan was appointed President in December 2020. He assumed this role from Mr. Taylor. He joined Texas Roadhouse in 1997 and has held a number of positions, including Managing Partner, Market

Partner and Regional Market Partner. Mr. Morgan has more than 35 years of restaurant management experience with Texas Roadhouse, Bennigan's Restaurants, and Burger King.

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 25 years of restaurant industry experience.

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

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

ITEM 1A. RISK FACTORS

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

The COVID-19 pandemic has disrupted and is expected to continue to disrupt our business, which has and could continue to materially affect our business, financial condition, and results of operations, for an extended period of time.

On March 13, 2020, the COVID-19 pandemic was declared a National Public Health Emergency. Shortly after the national emergency declaration, state and local officials began placing restrictions on restaurants, some of which allowed To-Go or curbside service only while others limited capacity in the dining room. By late March all of our domestic company and franchise restaurants were under state or local order which only allowed for To-Go or curbside service. Beginning in early May 2020, state and local guidelines began to allow dining rooms to re-open, typically at a limited capacity. While all of our dining rooms were able to re-open in some capacity, many were required to close again in areas more severely impacted by the pandemic. As of December 29, 2020, 82% of our company restaurants had their dining rooms operating under various limited capacity restrictions. Our remaining restaurants were limited to outdoor and/or To-Go or curbside service only.

As a result of the dining room restrictions and temporary closures, we have experienced a significant decrease in traffic which has impacted our operating results. While the majority of our dining rooms have re-opened, a significant portion continue to operate under capacity restrictions that severely limit the number of guests we can serve. In addition, while we have seen significant sales growth in our To-Go program, even with dining rooms re-opened, we currently do not expect these sales will generate a similar profit margin and cash flows to our normal operating model. We expect our operating results to continue to be impacted until at least such time that all state and local restrictions are lifted, and our dining rooms can operate at full capacity. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, or the extent to which our dining rooms will have to close again. In addition, we cannot predict the overall impact on the economy or consumer spending habits. The impact on our operating results as well as the operational and financial measures we have implemented in response to the pandemic have been included throughout this report.

The pandemic has also adversely impacted our ability to open new restaurants. At the onset of the pandemic, we delayed construction on all restaurants that were not substantially complete. As a result, we only opened 22 restaurants in 2020 across all concepts. As of December 29, 2020, 10 restaurants were under construction. Our ability to grow our

business could be further impacted, particularly if we have to delay construction on these sites in future periods.

In March 2020, we borrowed $190.0 million under our Amended Credit Agreement in order to enhance our financial flexibility. The Amended Credit Agreement also provides us the option to increase the credit facility by $200.0 million subject to certain limitations, including approval by the syndicate of lenders, set forth in the Amended Credit Agreement. On May 11, 2020, as a precautionary measure to further enhance financial flexibility, we amended the revolving credit facility to increase the amount available under the facility by $82.5 million and drew down $50.0 million of this amount. If the pandemic continues to adversely impact our business for a significant period of time, we may need to further increase the credit facility and/or seek other sources of liquidity. There is no guarantee that we can increase the credit facility or that additional liquidity will be readily available or available at favorable terms.

Our suppliers could be adversely impacted by the pandemic. If our supplier's employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with the pandemic, we could face shortages of food items or other supplies at our restaurants and our operations and sales could be adversely impacted by such interruptions.

The capacity restrictions and temporary closures of our dining rooms have resulted in decreased staffing levels at our restaurants. We have taken compensation actions to support certain restaurant employees during the pandemic, but those actions may not be enough to compensate them until such time that our dining rooms can re-open at full capacity. Those restaurant employees might seek and find other employment during the interruption, which could have a material adverse effect on our ability to properly staff our restaurants with experienced team members once we resume our normal operations.

Our restaurant operations could be further disrupted if a significant number of restaurants have employees diagnosed with COVID-19 resulting in some or all of the restaurant's employees being quarantined and our restaurant facilities having to be disinfected. If a significant percentage of our workforce is unable to work, whether because of illness or required quarantine, our operations may be negatively impacted which could have a material adverse effect on our business.

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 shareholder value by (1) expanding our base of company restaurants that are profitable, (2) increasing sales and profits at existing restaurants, and (3) pursuing other strategic initiatives or business opportunities. While 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 likely 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, field support 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. In addition to challenges relating to the COVID-19 pandemic, as we grow, we may have difficulty maintaining our culture or adapting it sufficiently to meet the needs of our operations, or finding new employees (including new employees arising from strategic initiatives) to assimilate to our culture and brand standards. 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 were 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 that are profitable in accordance with our expansion plans. We have experienced delays in opening some of our restaurants in the past, including significant delays in 2020 due to the pandemic, and may experience delays in the future. Delays or failures in opening new restaurants could 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.

In addition, we have generally been able to fund the construction of new restaurants from cash provided by our operations. If our operations continue to be significantly impacted by the pandemic, our ability to open new restaurants could also be impacted.

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. Those new markets may have smaller trade areas and different competitive conditions, consumer tastes and discretionary spending patterns than our traditional, existing markets, which may cause our new store locations to be less successful than restaurants in our existing market areas. 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. Additionally, the opening of a new restaurant could negatively impact sales at one or more of our existing nearby restaurants, which could adversely affect our financial performance.

Our ability to open new restaurants that are profitable will also depend on numerous other factors, many of which are beyond our control, including, but not limited to, the following:

- our ability to hire, train and retain qualified operating personnel, especially market partners and managing partners who can execute our business strategy;
- 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;
- road construction and other factors limiting access to the restaurant;
- delays by our landlord or other developers in constructing other parts of a development adjacent to our premises in a timely manner;
- redevelopment of other parts of a development adjacent to our premises that affect the parking available for our restaurant;
- our ability to secure liquor licenses;
- general economic conditions, including an economic recession;
- changes in federal and state tax laws;
- 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.

You should not rely on past changes in our average unit volume or our comparable restaurant sales 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, including, among other factors:

- consumer awareness and understanding of our brands;

- our ability to execute our business strategy effectively;
- 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;
- mandated dining room closures and/or dining rooms operating at limited capacity;
- 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, including an economic recession, 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 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 could cause the price of our common stock to fluctuate substantially.

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

The development of new restaurant concepts may not be as successful as our experience in the development of the Texas Roadhouse concept. In May 2013, we launched a new casual dining concept, Bubba's 33, a family-friendly, sports restaurant that has expanded to 31 restaurants as of December 29, 2020. In December 2014, we launched a new fast-casual concept, Jaggers, which offers drive-thru service, that has expanded to three restaurants as of December 29, 2020.

Bubba's 33 and Jaggers each have lower brand awareness and less operating experience than most Texas Roadhouse restaurants. In addition, Bubba's 33 restaurants have a higher initial investment cost and Jaggers has a lower per person average check amount. As a result, the development of these concepts may not contribute to our average unit volume growth and/or profitability in an incremental way. We can provide no assurance that new units will be accepted in the markets targeted for the expansion of these concepts 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 these concepts. These decisions could limit our overall long-term growth. Additionally, expansion of these 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 presents increased economic, political, regulatory and other risks.

As of December 29, 2020, our operations include 28 Texas Roadhouse franchise restaurants in ten 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 other international markets. In addition, operating in international markets may require significant resources and management attention and will subject us to economic, political and regulatory 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 brands 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 or tariffs on goods needed to construct and/or operate our restaurants;
- political or social unrest, economic instability and destabilization of a region;
- effects of actual or threatened terrorist attacks;
- health concerns from global pandemics;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and similar laws in foreign jurisdictions;
- differences in enforceability and registration of intellectual property and contract rights;
- adverse tax consequences;
- profit repatriation and other restrictions on the transfer of funds; and
- different and more stringent user protection, data protection, privacy and other laws.

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

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

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

We plan to continue 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 (including retail initiatives utilizing our intellectual property) to acquire or develop additional business channels or concepts, and/or change the business strategy regarding an existing concept. 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 possibly obtain appropriate financing.

Any acquisition or future development that we pursue, including the on-going development of new concepts or retail initiatives utilizing our intellectual property, 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 markets or conducting operations where we have no or limited prior experience;
- risks associated with successfully integrating new employees, processes and systems;

- 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, without impacting our underlying business; 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.

Additionally, we may evaluate other means to leverage our competitive strengths, including the expansion of our products across other strategic initiatives or business opportunities (including retail initiatives utilizing our intellectual property). The expansion of our products may damage our reputation if products bearing our brands are not of the same quality or value that guests associate with our brands. In addition, we may experience dilution of the goodwill associated with our brands as it becomes more common and increasingly accessible.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases, as well as risks related to renewal.

The majority of our company restaurants are located on leased premises. Payments under our operating leases account for a significant portion of our operating expenses. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. In connection with the relocation, other operational changes, or closure of any restaurant, we may nonetheless be committed to perform on our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term.

In addition, as each of our leases expires, there can be no assurance we will be able to renew our expiring leases after the expiration of all remaining renewal options, either on commercially acceptable terms or at all. As a result, at the end of the lease term and expiration of all renewal periods, we may be unable to renew the lease without substantial additional cost, if at all. As a result, we may be required to relocate or close a restaurant, which could subject us to construction and other costs and risks, and may have an adverse effect on our operating performance.

Approximately 21% of our company restaurants are located in Texas and Florida and, as a result, we are sensitive to economic and other trends and developments in those states.

As of December 29, 2020, we operated a total of 71 company restaurants in Texas and 41 company restaurants in Florida. As a result, we are particularly susceptible to adverse trends and economic conditions in those states, including declines in oil prices that may increase levels of unemployment and cause other economic pressures that may result in lower sales and profits at our restaurants in oil regions of Texas and surrounding areas. In addition, given our geographic concentration in these states, negative publicity regarding any of our restaurants in either Texas or Florida could have a material adverse effect on our business and operations, as could other occurrences in either Texas or Florida such as health epidemics or pandemics (such as COVID-19), local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, hurricanes, fires or other natural disasters.

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

Our success depends, in part, upon the popularity of our food products. Continued social concerns or shifts in consumer preferences away from our restaurants or cuisine, particularly beef, would harm our business. In response to the pandemic, many consumers have preferred to order food To-Go or by delivery rather than dining in at full-service restaurants, and if these preferences continue and consumers continue to avoid gathering in public places in large groups, we may need to further adapt our offerings to accommodate these changes. 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. This includes any downturns that result from the pandemic. Any material decline in the amount of discretionary spending could have a material adverse effect on our business, results of operations, financial condition or liquidity.

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

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

- the timing of new restaurant openings and related expenses;
- restaurant operating costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;
- labor availability and costs for hourly and management personnel including mandated changes in federal and/or state minimum and tipped wage rates, overtime regulations, state unemployment taxes, or health benefits;
- profitability of our restaurants, particularly in new markets;
- changes in interest rates;
- the impact of litigation, including negative publicity;
- increases and decreases in average unit volume and comparable restaurant sales;
- impairment of long-lived assets, including goodwill, and any loss on restaurant relocations or closures;
- general economic conditions, including an economic recession, which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- mandated restaurant closures and/or dining rooms operating at limited capacity;
- negative publicity regarding food safety and other food and beverage related matters, including the integrity of our, or our suppliers', food processing;
- negative publicity regarding health concerns and/or global pandemics;
- 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.

Beginning in March 2020, our quarterly operating results were severely impacted by the pandemic which resulted in significant fluctuations between quarters. We expect that our quarterly operating results will continue to fluctuate until at least such time that all dining room restrictions related to the pandemic are lifted.

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, e-commerce, 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, security 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 or a material breach in the security of these systems could result in delays in guest service and reduce efficiency in our operations.

Additionally, our corporate systems and processes and corporate support for our restaurant operations are handled primarily at our Support Center. As a result of the pandemic, a significant portion of our Support Center staff continue to work remotely. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including tornadoes and other natural disasters, and back up off-site locations for recovery of electronic and other forms of data information. However, if we are unable to fully implement our disaster recovery plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that could have a material adverse effect on our financial condition, results of operations and exposure to administrative and other legal claims.

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

Some business processes are currently outsourced to third parties. Such processes include information technology processes, gift card tracking, credit card authorization and processing, insurance claims processing, unemployment 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 2020, approximately 80% 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. If we fail to adequately control fraudulent credit card and debit card transactions to comply with the Payment Card Industry Data Security Standards, we may face diminished public perception of our security measures, fines and assessments from the card brands and significantly higher credit card and debit card related costs. In addition, if there are malfunctions or other problems with our processing vendors, billing software or payment processing systems, our guest satisfaction may be adversely affected and one or more of the major payment networks could disallow our continued use of their payment methods. The termination of our ability to process payments through any major payment network would significantly impact our ability to operate our business.

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

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

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

- additional government-imposed increases in minimum and/or tipped wages, hour and 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 work authorization 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 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 and other places of accommodation are designed to be accessible to the disabled, we could be required to make unexpected modifications to provide service to, or make reasonable accommodations, for disabled persons.

In addition, as a result of the COVID-19 pandemic, certain state and local jurisdictions have enacted various health, safety and other regulations that have impacted our restaurants. Compliance with these regulations has led to decreased sales, increased costs, and operational complexity. We cannot predict when these regulations may be lifted or the impact on our business, results of operations, financial condition or liquidity.

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

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

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

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

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

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for an illness or injury they suffered as a result of a visit to our restaurants, or that we have problems with food quality or operations. As a Company, we take responsible alcohol service seriously. However, 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. It is also possible that employees, guests or others could make claims against us as a result of the pandemic, and the nature and scope of such matters, if any, is unknown.

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 brands 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, attention 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 (even though the dividend program was suspended due to the on-going COVID-19 pandemic), refurbishment or relocation of existing restaurants, repurchases of our common stock and franchise acquisitions. If we experience decreased cash flow from operations, similar to what we experienced in the current year, 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. If we are unable to maintain these covenants, 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 or have sufficient liquidity to either repay or refinance the then outstanding balance at the expiration of our amended revolving credit facility, or upon violation of the covenants, our growth could be impeded and our financial performance could be materially adversely affected.

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

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

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

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

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

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

Our franchisees could take actions that could harm our business.

Both our domestic and international 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 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, global pandemics, 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 hour and overtime pay, state unemployment rates or employee benefits costs (including workers' compensation and health insurance), company staffing initiatives, 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. Additionally, so long as the COVID-19 pandemic continues, personal or public health concerns related to the pandemic might make some existing personnel or potential candidates reluctant to work in enclosed restaurant environments.

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 significantly increasing minimum and/or tipped wage standards will be enacted in future periods and in other jurisdictions. Any government actions related to employee compensation or employer liability in response to the pandemic, whether temporary or permanent, could increase our labor costs. In addition, regulatory actions which result in changes to healthcare eligibility, design and cost structure could occur. Any increases in minimum and/or tipped wages or increases in employee benefits costs will result in higher labor costs.

In addition, the pandemic resulted in a number of staffing challenges at our restaurants in the current year. To address these challenges, we provided relief pay and enhanced benefits for our hourly employees. The relief pay included pay for employees who received significantly less or no hours at locations where dining rooms were required to close. The benefits included certain sick pay and accrued vacation enhancements as well as a premium holiday on health insurance. These actions were performed to retain employees and ensure that we maintained adequate staffing levels as

our dining rooms re-opened.

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.

The pandemic has significantly impacted our business as well as the global economy. During 2021 and beyond, the U.S. and global economies could further 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. In addition, there is no assurance that any governmental plans to stimulate the economy will foster growth in consumer spending or buying habits. As in the past, we could experience reduced guest traffic or we may be unable or unwilling to increase the prices we charge for our products to offset higher costs or fewer transactions, either of which could reduce our sales and profit margins. Also, landlords or other tenants in the shopping centers in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could in turn negatively affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our business, results of operations, financial condition or liquidity.

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

The restaurant industry is intensely competitive. We compete with many well-established food service companies on the basis of taste, quality and price of products offered, guest service, atmosphere, location, take-out and delivery options and overall guest experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from meal kit delivery services as well as the supermarket industry. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. 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. Additionally, our competitors may generate or better implement business strategies that improve the value and the relevance of their brands and reputation, relative to ours. This could include the testing of delivery via internal or third-party methods or better execution around guests' To-Go experience in response to dine-in capacity restrictions.

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

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

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

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

Given the marked increase in the use of social media platforms along with smart phones in recent years, individuals have access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information concerning our Company may be posted on such platforms at any time. Additionally, social media has increasingly been utilized to target specific companies or brands as a result of a variety of actions or inactions, or perceived actions or inactions, that are disfavored by interest groups and such campaigns can rapidly accelerate and impact consumer behavior. If we are unable to quickly and effectively respond to such reports, we may suffer declines in guest traffic. The impact may be immediate without affording us an opportunity for redress or correction. These factors could have a material adverse effect on our business.

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

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality and food safety, including food-borne illnesses. In addition, consumer preferences may be impacted by current and future menu-labeling requirements. In 2018, federal disclosure requirements went into effect under the Patient Protection and Affordable Care Act of 2010 requiring new menu nutritional labeling requirements. As a result, we include calorie information on our menus and make additional nutritional information available at our restaurants and on our websites. However, future regulatory action may occur which could result in further changes in the nutritional disclosure requirements. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general. The labeling requirements and any negative publicity concerning any of the food products we serve may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the labeling requirements or negative publicity by changing our concepts 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 sanitation, food-borne illness and health concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety and sanitation 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. Heightened concern regarding restaurant safety caused by the COVID-19 pandemic would likely magnify such adverse impact.

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.

In addition to the novel coronavirus that causes COVID-19, the United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as Hepatitis A, Norovirus, Ebola, Avian Flu, SARS and H1N1. To the extent that a virus is food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product which may materially adversely affect our business.

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 shareholders, 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. If we issue preferred shares in the future that have a preference over our common stock with respect to dividends or upon liquidation, dissolution or winding up, or if we issue preferred shares with voting rights that dilute the voting power of our common stock, the rights of our common stockholders or the market price of our common stock may be adversely affected.

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 or repurchase our common stock up to the maximum amounts permitted under our previously announced repurchase program.

Payment of cash dividends on our common stock or repurchases of our common stock are 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. We temporarily suspended all cash dividends and share repurchases to enhance our financial flexibility as a result of the pandemic. Once this suspension has been lifted, there can be no assurance that we will continue to pay dividends or repurchase our common stock at the same levels we have historically.

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

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

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

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Properties

Our Support Center is located in Louisville, Kentucky. We occupy this facility under a master lease with Paragon Centre Holdings, LLC, a limited liability company in which we have a minority ownership position. As of December 29, 2020, we leased 133,023 square feet. Our lease expires on October 31, 2048, including all applicable extensions. Of the 537 company restaurants in operation as of December 29, 2020, we owned 148 locations and leased 389 locations, as shown in the following table.

State	Owned	Leased	Total
Alabama	3	5	8
Alaska	—	2	2
Arizona	5	14	19
Arkansas	1	5	6
California	1	3	4
Colorado	7	10	17
Connecticut	—	5	5
Delaware	1	1	2
Florida	7	34	41
Georgia	4	8	12
Idaho	1	4	5
Illinois	3	14	17
Indiana	13	8	21
Iowa	2	8	10
Kansas	2	4	6
Kentucky	4	11	15
Louisiana	2	8	10
Maine	—	3	3
Maryland	—	8	8
Massachusetts	1	9	10
Michigan	5	11	16
Minnesota	1	4	5
Mississippi	1	2	3
Missouri	2	15	17
Nebraska	1	2	3
Nevada	—	2	2
New Hampshire	2	1	3
New Jersey	—	10	10
New Mexico	1	5	6
New York	3	18	21
North Carolina	4	16	20
North Dakota	—	2	2
Ohio	12	21	33
Oklahoma	2	6	8
Oregon	—	2	2
Pennsylvania	3	22	25
Rhode Island	—	3	3
South Carolina	—	3	3
South Dakota	1	1	2
Tennessee	—	15	15
Texas	39	32	71
Utah	1	8	9
Vermont	—	1	1
Virginia	6	13	19
Washington	—	2	2
West Virginia	1	2	3
Wisconsin	4	6	10
Wyoming	2	—	2
Total	148	389	537

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

ITEM 3—LEGAL PROCEEDINGS

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

ITEM 4—MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

The number of holders of record of our common stock as of February 17, 2021 was 179.

In 2011, our Board of Directors declared our first quarterly dividend of $0.08 per share of common stock. On February 20, 2020, our Board of Directors declared a quarterly dividend of $0.36 per share of common stock which was paid on March 27, 2020. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends of the Company's common stock, effective with respect to dividends occurring after March 27, 2020. This was done to preserve cash flow during the pandemic. 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 are currently evaluating when we will resume the payment of cash dividends.

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

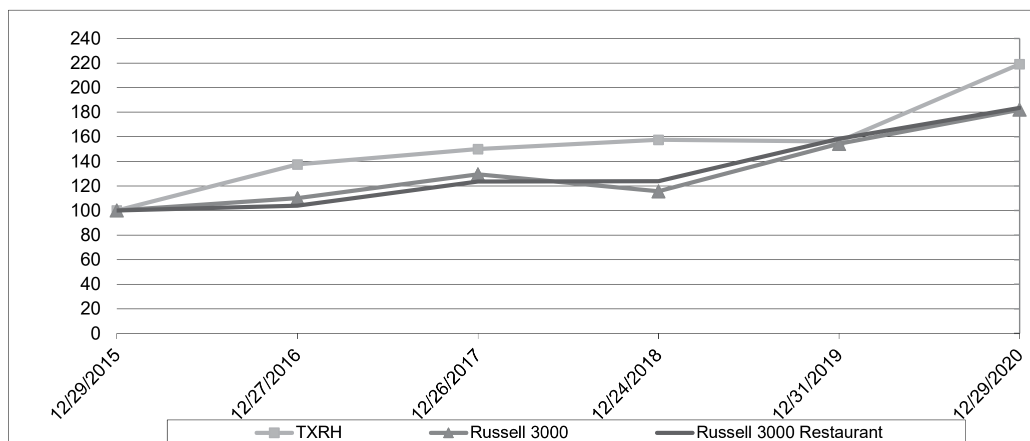
In 2008, our Board of Directors approved our first stock repurchase program. From inception through December 29, 2020, we have paid $369.0 million through our authorized stock repurchase programs to repurchase 17,722,505 shares of our common stock at an average price per share of $20.82. On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to $250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date have been made through open market transactions. In 2020, we paid $12.6 million to repurchase 252,409 shares of our common stock. The Company suspended all share repurchase activity on March 17, 2020 in order to preserve cash flow due to the pandemic. As of December 29, 2020, $147.8 million remains authorized for stock repurchases. We are currently evaluating when we will resume the repurchase of shares.

Stock Performance Graph

The following graph sets forth the 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 29, 2020, 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 29, 2015 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 29, 2015
Among Texas Roadhouse, Inc., the Russell 3000 Index and the Russell 3000 Restaurant Index



	12/29/2015	12/27/2016	12/26/2017	12/24/2018	12/31/2019	12/29/2020
Texas Roadhouse, Inc.	$ 100.00	$ 137.44	$ 149.97	$ 157.54	$ 156.18	$ 218.97
Russell 3000	$ 100.00	$ 110.05	$ 129.40	$ 115.63	$ 154.29	$ 182.00
Russell 3000 Restaurant	$ 100.00	$ 103.97	$ 123.69	$ 123.89	$ 158.36	$ 183.33

ITEM 6—SELECTED FINANCIAL DATA

We derived the selected consolidated financial data as of and for the years 2020, 2019, 2018, 2017 and 2016 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 years 2020, 2018, 2017 and 2016 were 52 weeks in length while fiscal year 2019 was 53 weeks in length. Our historical results are not necessarily indicative of our results for any future period.

	Fiscal Year				
	2020	2019	2018	2017	2016
	(in thousands, except per share data)				
Consolidated Statements of Income:					
Revenue:					
Restaurant sales and other	$ 2,380,177	$ 2,734,177	$ 2,437,115	$ 2,203,017	$ 1,974,261
Franchise royalties and fees	17,946	21,986	20,334	16,514	16,453
Total revenue	2,398,123	2,756,163	2,457,449	2,219,531	1,990,714
Income from operations	23,844	212,023	187,789	186,206	171,900
Income before taxes	19,253	213,915	188,551	186,117	171,756
Income tax (benefit) expense	(15,672)	32,397	24,257	48,581	51,183
Net income including noncontrolling interests	$ 34,925	$ 181,518	$ 164,294	$ 137,536	$ 120,573
Less: Net income attributable to noncontrolling interests	3,670	7,066	6,069	6,010	4,975
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 31,255	$ 174,452	$ 158,225	$ 131,526	$ 115,598
Net income per common share:					
Basic	$ 0.45	$ 2.47	$ 2.21	$ 1.85	$ 1.64
Diluted	$ 0.45	$ 2.46	$ 2.20	$ 1.84	$ 1.63
Weighted average shares outstanding:					
Basic	69,438	70,509	71,467	70,989	70,396
Diluted	69,893	70,916	71,964	71,527	71,052
Cash dividends declared per share	$ 0.36	$ 1.20	$ 1.00	$ 0.84	$ 0.76

	Fiscal Year				
	2020	2019	2018	2017	2016
	($ in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 363,155	$ 107,879	$ 210,125	$ 150,918	$ 112,944
Total assets	2,325,161	1,983,565	1,469,276	1,330,623	1,179,971
Current portion of operating lease liabilities	19,271	17,263	-	-	-
Current maturities of long-term debt	50,000	-	-	9	159
Operating lease liabilities, net of current portion	572,171	538,710	-	-	-
Long-term debt, net of current maturities	190,000	-	-	50,000	50,550
Total liabilities	1,382,110	1,052,396	508,568	479,232	421,729
Noncontrolling interests	15,546	15,175	15,139	12,312	8,016
Texas Roadhouse, Inc. and subsidiaries stockholders' equity	$ 927,505	$ 915,994	$ 945,569	$ 839,079	$ 750,226
Selected Operating Data (unaudited):					
Restaurants:					
Company - Texas Roadhouse	503	484	464	440	413
Company - Bubba's 33	31	28	25	20	16
Company - Jaggers	3	2	2	2	2
Franchise - Domestic	69	69	69	70	73
Franchise - International	28	28	22	17	13
Total	634	611	582	549	517
Company restaurant information:					
Store weeks	27,181	26,473	24,693	23,274	21,583
Comparable restaurant sales (1)	(14.2)%	4.7 %	5.4 %	4.5 %	3.5 %
Texas Roadhouse restaurants only:					
Comparable restaurant sales (1)	(14.1)%	4.6 %	5.4 %	4.5 %	3.6 %
Average unit volume (2)	$ 4,649	$ 5,555	$ 5,209	$ 4,973	$ 4,805
Net cash provided by operating activities	$ 230,438	$ 374,298	$ 352,868	$ 286,373	$ 257,065
Net cash used in investing activities	$ (161,105)	$ (214,820)	$ (158,145)	$ (178,156)	$ (164,738)
Net cash provided by (used in) financing activities	$ 185,943	$ (261,724)	$ (135,516)	$ (70,243)	$ (38,717)

(1) Comparable restaurant sales 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 period measured, excluding sales from restaurants permanently closed during the period.

(2) 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 permanently closed during the period. Additionally, average unit volume of company restaurants in the table above was adjusted to reflect the restaurant sales of any acquired franchise restaurants. In addition, average unit volume for 2019 includes 53 weeks compared to 52 weeks for all other periods presented.

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

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations focuses on discussion of 2020 results as compared to 2019 results. For discussion of 2019 results as compared to 2018 results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" within our Form 10-K for the year ended December 31, 2019 filed with the SEC on February 28, 2020.

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 634 restaurants in 49 states and ten 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 29, 2020, our 634 restaurants included:

- 537 "company restaurants," of which 517 were wholly-owned and 20 were majority-owned. The results of operations of company restaurants are included in our consolidated statements of income and comprehensive income. The portion of income attributable to noncontrolling interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our consolidated statements of income and comprehensive income. Of the 537 restaurants we owned and operated at the end of 2020, we operated 503 as Texas Roadhouse restaurants, 31 as Bubba's 33 restaurants and three as Jaggers restaurants.

- 97 "franchise restaurants," 24 of which we have a 5.0% to 10.0% ownership interest. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity 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 five additional franchise restaurants in which we have no ownership interest. All of the franchise restaurants operated as Texas Roadhouse restaurants. Of the 97 franchise restaurants, 69 were domestic restaurants and 28 were international restaurants.

We have contractual arrangements which grant us the right to acquire at pre-determined formulas (i) the remaining equity interests in 18 of the 20 majority-owned company restaurants and (ii) 65 of the 69 domestic franchise restaurants.

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

Presentation of Financial and Operating Data

We operate on a fiscal year that typically ends on the last Tuesday in December. Fiscal year 2020 was 52 weeks in length, while the fourth quarter was 13 weeks in length. Fiscal year 2019 was 53 weeks in length and, as such, the fourth quarter was 14 weeks in length.

COVID-19 Impact

On March 13, 2020, the novel coronavirus ("COVID-19") pandemic (the "pandemic") was declared a National Public Health Emergency. Shortly after the national emergency declaration, state and local officials began placing restrictions on restaurants, some of which allowed To-Go or curbside service only while others limited capacity in the dining room. By late March, all of our domestic company and franchise restaurants were under state or local order which only allowed for To-Go or curbside service. Beginning in early May 2020, state and local guidelines began to allow dining rooms to re-open, typically at a limited capacity. While all of our dining rooms were able to open in some

capacity, many were required to close again in areas more severely impacted by the pandemic. As of December 29, 2020, 82% of our company restaurants had their dining rooms operating under various limited capacity restrictions. Our remaining restaurants were limited to outdoor and/or To-Go or curbside service only.

In response to the impact of the pandemic on our restaurant operations, we have developed a hybrid operating model that accommodates our limited capacity dining rooms together with enhanced To-Go, which includes a curbside and/or drive-up operating model, as permitted by local guidelines. This includes design changes to our building to better accommodate the increased To-Go sales and the expansion of outdoor seating areas where allowed. We also have installed booth partitions in all of our restaurants as an added safety measure for our guests. In addition, we have increased our already strict sanitation requirements, are conducting daily health and temperature checks for all employees before they begin their shift and are requiring personal protective equipment to be worn by all restaurant employees at all times. As we work through the local regulations at each of our locations, the safety of our employees and guests remains our top priority.

As a result of the dining room restrictions and temporary closures, we have experienced a significant decrease in traffic which has impacted our operating results. While the majority of our dining rooms have re-opened, a significant portion continue to operate under capacity restrictions that severely limit the number of guests we can serve. In addition, while we have seen significant sales growth in our To-Go program, even with dining rooms re-opened, we currently do not expect these sales will generate a similar profit margin and cash flows to our normal operating model. We expect our operating results to continue to be impacted until at least such time that all state and local restrictions are lifted, and our dining rooms can operate at full capacity. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, or the extent to which our dining rooms will have to close again. In addition, we cannot predict the overall impact on the economy or consumer spending habits. The impact on our operating results as well as the operational and financial measures we have implemented in response to the pandemic have been included throughout this report.

In response to the pandemic, the Company and our Board of Directors implemented the following measures in 2020 to enhance financial flexibility:

- Decreased the number of planned new restaurants for 2020;
- Suspended all quarterly cash dividends occurring after March 27, 2020;
- Suspended all share repurchase activity;
- Expanded the capacity of the revolving credit facility and increased the borrowings by $240 million; and
- Decreased compensation including voluntary reductions of salary and bonus for the executive and leadership teams to make relief grants available for restaurant employees. Each non-employee member of the Board of Directors also volunteered to forgo their director and committee fees along with any cash retainers effective April 1, 2020 and continuing throughout fiscal 2020.

Effective March 27, 2020, legislation referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed to benefit companies that were significantly impacted by the pandemic. This legislation allowed for the deferral of the social security portion of the employer portion of FICA payroll taxes from the date of enactment through the end of 2020. Amounts are required to be repaid in equal installments at the end of 2021 and 2022. As of December 29, 2020, the Company had deferred $47.3 million in payroll taxes with the amount due in 2021 included in accrued wages and payroll taxes and the amount due in 2022 included in other liabilities in our consolidated balance sheets.

The CARES Act also allowed for an Employee Retention Credit for companies severely impacted by the pandemic to encourage the retention of full-time employees. This refundable payroll tax credit was available for any company that had fully or partially suspended operations due to government order or experienced a significant decline in gross receipts and had employees who were paid but did not actually work. The Company provided various forms of relief pay for hourly restaurant employees throughout the year, as significant portion of which qualified for this tax credit. For the year ended December 29, 2020, we recorded $7.0 million related to this credit which is included in labor expense in our

consolidated statements of income and comprehensive income.

Finally, the CARES Act provided for small business loans that were forgivable if certain criteria were met. The Company did not pursue any of these loans on behalf of company restaurants as we believe we have sufficient alternatives for raising capital if needed.

Long-term Strategies to Grow Earnings Per Share

Although a significant portion of 2020 required us to focus on adapting our business to account for the impacts of the pandemic, we remain committed to our core operating strategy that has defined and grown our brand. Our long-term strategies with respect to increasing net income and earnings per share, along with creating shareholder value, include the following:

Expanding Our Restaurant Base. We continue to evaluate opportunities to develop restaurants in existing markets and in new domestic and international markets. Domestically, we remain focused primarily on markets where we believe a significant demand for our restaurants exists because of population size, income levels and the presence of shopping and entertainment centers and a significant employment base. In recent years, we have relocated several existing Texas Roadhouse locations once the associated lease expired or as a result of eminent domain which allows us to move to a better site, update them to a current prototypical design, and/or obtain more favorable lease terms. We continue to evaluate these opportunities particularly as it relates to older locations with strong sales. 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 2020, we opened 22 company restaurants while our franchise partners opened four restaurants. This included 18 Texas Roadhouse restaurants, three Bubba's 33 restaurants, and one Jaggers restaurant. At the onset of the pandemic, we delayed construction on all restaurants that were not substantially complete which decreased our planned store openings for the year. We currently plan to open 25 to 30 company restaurants across all concepts in 2021. To the extent that state and local guidelines begin to further reduce capacity at our restaurants, we could pull back on development and reduce capital expenditures accordingly. In addition, we anticipate our existing franchise partners will open as many as six Texas Roadhouse restaurants, primarily international, in 2021.

Our average capital investment for the 18 Texas Roadhouse restaurants opened during 2020, including pre-opening expenses and a capitalized rent factor, was $6.2 million. We expect our average capital investment for Texas Roadhouse restaurants opening in 2021 to be approximately $5.5 million. Our average capital investment for the three Bubba's 33 restaurants opened during 2020, including pre-opening expenses and a capitalized rent factor, was $7.3 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2021 to be approximately $6.9 million.

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

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in several foreign countries and one U.S territory. We currently have signed franchise and/or development agreements in nine countries in the Middle East as well as Taiwan, the Philippines, Mexico, China, South Korea, Brazil and Puerto Rico. As of December 29, 2020, we had 15 restaurants open in five countries in the Middle East, four restaurants open in Taiwan, five in the Philippines, two in South Korea, and one each in Mexico and China for a total of 28 restaurants in ten foreign countries. For the existing international agreements, the franchisee is generally required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Maintaining and/or Improving Restaurant Level Profitability. We continue to balance the impacts of inflationary pressures with our value positioning as we remain focused on our long-term success. This may create a challenge in

terms of maintaining and/or increasing restaurant-level profitability (restaurant margin), in any given year, depending on the level of inflation we experience. Restaurant margin is not a U.S. generally accepted accounting principle ("GAAP") measure and should not be considered in isolation, or as an alternative from income from operations. See further discussion of restaurant margin below. In addition to restaurant margin, as a percentage of restaurant and other sales, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant level-profitability. In terms of driving higher comparable restaurant sales, we remain focused on encouraging repeat visits by our guests and attracting new guests through our continued commitment to operational standards relating to food and service quality. To attract new guests and increase the frequency of visits of our existing guests, we also continue to drive various localized marketing programs, focus on speed of service and increase throughput by adding seats and parking at certain restaurants. In addition, with the increase in To-Go sales in prior years and the significant increase in the current year due to the pandemic, we are currently testing changes to our building layout to help better accommodate higher To-Go volumes at our restaurants.

In addition, we continue to look for ways through various strategic initiatives to drive awareness of our brands and increase profitability. At the onset of the pandemic, we began selling ready-to-grill steaks and pork for customers to prepare at home. While we reduced our store-level offerings around ready-to-grill products once our dining rooms began to re-open, based on the success of this program we have developed Texas Roadhouse Butcher Shop. This on-line platform allows for the purchase and delivery hand-cut quality steaks that are available in our restaurants. This platform launched in our Q4 2020 fiscal quarter.

Leveraging Our Scalable Infrastructure. To support our growth, we have made significant investments in our infrastructure over the past several years, including information and accounting systems, real estate, human resources, legal, marketing, international and restaurant operations, including the development of new concepts. In addition, in Q4 2018 we increased our number of regional market partners, market partners and regional support teams. Whether we are able to leverage our infrastructure in future years by growing our general and administrative costs at a slower rate than our revenue will depend, in part, on our new restaurant openings, our comparable restaurant sales growth rate going forward and the level of investment we continue to make in our infrastructure.

Returning Capital to Shareholders. We continue to evaluate opportunities to return capital to our shareholders, including the payment of dividends and repurchase of common stock. In 2011, our Board of Directors declared our first quarterly dividend of $0.08 per share of common stock. On February 20, 2020, our Board of Directors declared a quarterly dividend of $0.36 per share of common stock which was paid on March 27, 2020. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends on the Company's common stock, effective with respect to dividends occurring after March 27, 2020. This was done to preserve cash flow due to the pandemic. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility, other contractual restrictions and other factors deemed relevant. We are currently evaluating when we will resume the payment of cash dividends.

In 2008, our Board of Directors approved our first stock repurchase program. From inception through December 29, 2020, we have paid $369.0 million through our authorized stock repurchase programs to repurchase 17,722,505 shares of our common stock at an average price per share of $20.82. On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to $250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date have been made through open market transactions. For the year ended December 29, 2020, we paid $12.6 million to repurchase 252,409 shares of our common stock. The Company suspended all share repurchase activity on March 17, 2020 in order to preserve cash flow due to the pandemic. As of December 29, 2020, $147.8 million remains authorized for stock repurchases. We are currently evaluating when we will resume the repurchase of shares.

Key Operating Personnel

Key management personnel who have a significant impact on the performance of our restaurants include market partners, managing partners, kitchen managers, service managers and 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 the kitchen staff and overall kitchen operations including food preparation and food quality. Service managers have primary responsibility for managing the front of house staff and

overall dining room operations including service quality and the guest experience. The assistant managers support our managing partners, kitchen, and service managers. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Each market partner oversees a group of varying sizes of 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.

Managing partners and market partners are required, as a condition of employment, to sign a multi-year employment agreement. The annual compensation of our managing partners and market partners includes a base salary plus a percentage of the pre-tax income of the restaurant(s) they operate or supervise. Managing partners and market partners are eligible to participate in our equity incentive plan and are generally required to make refundable 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. Comparable restaurant sales 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 permanently closed during the period. Comparable restaurant sales can be impacted by changes in guest traffic counts or by changes in the per person average check amount. Menu price changes 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 of restaurants permanently closed during the period. Historically, average unit volume growth is less than comparable restaurant sales growth which indicates that newer restaurants are operating with sales levels lower than the company average. At times, average unit volume growth may be more than comparable restaurant sales growth which indicates that newer restaurants are operating with sales levels higher than the company average.

Store Weeks. Store weeks represent the number of weeks that our company restaurants were open during the reporting period. Store weeks include weeks in which a restaurant is temporarily closed.

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

Other Key Definitions

Restaurant and Other Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts, for all company restaurants. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the consolidated statements of income and comprehensive income. Other sales include the amortization of fees associated with our third party gift card sales net of the amortization of gift card breakage income. These amounts are amortized consistent with the historic redemption pattern of the associated gift card or on actual redemptions in periods where redemptions do not align with historic redemption patterns.

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. These include advertising fees paid by domestic franchisees to our system-wide marketing and advertising fund and management fees paid by certain domestic franchisees for supervisory and administrative services that we perform.

Food and Beverage Costs. Food and beverage costs consists of the costs of raw materials and ingredients used in the preparation of food and beverage products sold in our company restaurants. Approximately half of our food and beverage costs relates to beef costs.

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

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

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

Pre-opening Expenses. Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new or relocated restaurant and are comprised principally of opening team and training 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, Net. Impairment and closure costs, net include any impairment of long-lived assets, including property and equipment, operating lease right-of-use assets and goodwill, and expenses associated with the closure of a restaurant. Closure costs also include any gains or losses associated with a relocated restaurant or the sale of a closed restaurant and/or assets held for sale as well as lease costs associated with closed or relocated restaurants.

General and Administrative Expenses. General and administrative expenses ("G&A") are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth including advertising costs incurred. G&A also includes legal fees, settlement charges and share-based compensation expense related to executive officers, Support Center employees and market

partners and the realized and unrealized holding gains and losses related to the investments in our deferred compensation plan.

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

Equity Income (Loss) from Unconsolidated Affiliates. Equity income (loss) includes our percentage share of net income earned by unconsolidated affiliates. This includes our 5.0% to 10.0% equity interest in 24 franchise restaurants. Additionally, we own a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned restaurants. Our consolidated subsidiaries include 20 majority-owned restaurants for all periods presented.

2020 Financial Highlights

Total revenue decreased $358.0 million or 13.0% to $2.4 billion in 2020 compared to $2.8 billion in 2019. The decrease was primarily due to a decrease in average unit volumes driven by a decrease in comparable restaurant sales. While store weeks increased 2.7% in 2020, comparable restaurant sales decreased 14.2%. The decrease in average unit volumes is primarily due to our dining rooms operating under various limited capacity restrictions due to the pandemic. Also, the addition of the 53rd week in 2019 resulted in $59.0 million in restaurant and other sales.

Restaurant margin decreased $208.6 million or 44.0% to $265.6 million in 2020 compared to $474.2 million in 2019 and restaurant margin, as a percentage of restaurant and other sales, decreased to 11.2% in 2020 compared to 17.3% in 2019. The decrease in restaurant margin, as a percentage of restaurant and other sales, was due to lower sales along with higher costs due to the pandemic. In addition, restaurant margin was pressured by an increase in To-Go sales which typically result in a less profitable transaction. See further discussion of specific drivers included below.

Net income decreased $143.2 million or 82.1% to $31.3 million in 2020 compared to $174.5 million in 2019 primarily due to lower restaurant margin dollars partially offset by lower general and administrative expenses and an income tax benefit. Diluted earnings per share decreased 81.8% to $0.45 from $2.46 in the prior year. Also, the addition of the 53rd week in 2019 resulted in additional diluted earnings per share of $0.10 to $0.11.

	Results of Operations			
	Fiscal Year			
	2020		2019	
	$	%	$	%
	(In thousands)			
Consolidated Statements of Income:				
Revenue:				
Restaurant and other sales	2,380,177	99.3	2,734,177	99.2
Franchise royalties and fees	17,946	0.7	21,986	0.8
Total revenue	2,398,123	100.0	2,756,163	100.0
Costs and expenses:				
(As a percentage of restaurant and other sales)				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Food and beverage	780,646	32.8	883,357	32.3
Labor	875,764	36.8	905,614	33.1
Rent	54,401	2.3	52,531	1.9
Other operating	403,726	17.0	418,448	15.3
(As a percentage of total revenue)				
Pre-opening	20,099	0.8	20,156	0.7
Depreciation and amortization	117,877	4.9	115,544	4.2
Impairment and closure, net	2,263	NM	(899)	NM
General and administrative	119,503	5.0	149,389	5.4
Total costs and expenses	2,374,279	99.0	2,544,140	92.3
Income from operations	23,844	1.0	212,023	7.7
Interest expense (income), net	4,091	0.2	(1,514)	(0.1)
Equity (loss) income from investments in unconsolidated affiliates	(500)	(0.0)	378	0.0
Income before taxes	19,253	0.8	213,915	7.8
Income tax (benefit) expense	(15,672)	(0.7)	32,397	1.2
Net income including noncontrolling interests	34,925	1.5	181,518	6.6
Net income attributable to noncontrolling interests	3,670	0.2	7,066	0.3
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	31,255	1.3	174,452	6.3

NM – Not meaningful

	Reconciliation of Income from Operations to Restaurant Margin	
	Fiscal Year Ended	
	2020	2019
	(In thousands, except per store week)	
Income from operations	$ 23,844	$ 212,023
Less:		
Franchise royalties and fees	17,946	21,986
Add:		
Pre-opening	20,099	20,156
Depreciation and amortization	117,877	115,544
Impairment and closure, net	2,263	(899)
General and administrative	119,503	149,389
Restaurant margin	$ 265,640	$ 474,227
Restaurant margin $/store week	$ 9,773	$ 17,914
Restaurant margin *(as a percentage of restaurant and other sales)*	11.2%	17.3%

Restaurant Unit Activity

	Total	Texas Roadhouse	Bubba's 33	Jaggers
Balance at December 31, 2019	611	581	28	2
Company openings	22	18	3	1
Company closings	(1)	(1)	—	—
Franchise openings - Domestic	2	2	—	—
Franchise openings - International	2	2	—	—
Franchise closings - International	(2)	(2)	—	—
Balance at December 29, 2020	634	600	31	3

	December 29, 2020	December 31, 2019
Company - Texas Roadhouse	503	484
Company - Bubba's 33	31	28
Company - Jaggers	3	2
Franchise - Texas Roadhouse - U.S.	69	69
Franchise - Texas Roadhouse - International	28	28
Total	634	611

Restaurant and Other Sales

Restaurant and other sales decreased 12.9% in 2020 compared to 2019. 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.

	2020	2019
Company Restaurants:		
Increase in store weeks	2.7 %	7.2 %
(Decrease) increase in average unit volume	(16.3)%	4.1 %
Other(1)	0.6 %	1.0 %
Total (decrease) increase in restaurant sales	(13.0)%	12.3 %
Other sales(2).	0.1 %	(0.1)%
Total (decrease) increase in restaurant and other sales	(12.9)%	12.2 %
Store weeks	27,181	26,473
Comparable restaurant sales	(14.2)%	4.7 %
Texas Roadhouse restaurants only:		
Comparable restaurant sales	(14.1)%	4.6 %
Average unit volume (in thousands)	$ 4,649	$ 5,555
Average unit volume (in thousands), 2019 adjusted (3)	$ 4,649	$ 5,427
Weekly sales by group:		
Comparable restaurants (453 and 430 units, respectively)	89,621	105,336
Average unit volume restaurants (20 and 22 units, respectively)(4)	84,485	94,437
Restaurants less than six months old (30 and 32 units, respectively)	81,546	105,732

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

(2) Other sales, for 2020, represent $16.9 million related to the amortization of third-party gift card fees net of $10.1 million related to the amortization of gift card breakage income. Other sales, for 2019, represent $19.8 million related to the amortization of third-party gift card fees net of $10.7 million related to the amortization of gift card breakage income. The decrease in amounts for 2020 is primarily due to a decrease in gift card sales and redemptions.

(3) As 2019 contained 53 weeks, for comparative purposes, 2019 average unit volumes were adjusted to a 52-week basis.

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

The decrease in restaurant sales for 2020 was primarily attributable to the decrease in average unit volumes, driven by a decline in comparable restaurant sales, partially offset by an increase in store weeks. The decrease in comparable restaurant sales was driven by the dining room closures and capacity restrictions due to the pandemic. In late March, all of our domestic company and franchise restaurants were required to temporarily close their dining rooms and shifted to a To-Go only model. Our expanded To-Go model, which includes a curbside and/or drive-up operating model, allows guests to order via phone, through our mobile app, on-line, or once on site. As the dining rooms were allowed to re-open, we implemented a hybrid operating model with limited capacity dining rooms together with enhanced To-Go, which includes a curbside and/or drive-up operating model, as permitted by local guidelines. As of December 29, 2020, 82% of our company restaurants had their dining rooms operating under various limited capacity restrictions.

Our expanded To-Go model helped to offset the loss of dining room sales particularly at the onset of the pandemic when all of our dining rooms were closed. In addition, we continued to see significant To-Go sales once our dining rooms began to re-open. To-Go sales as a percentage of total restaurant sales were 27.0% in 2020 compared to 7.2% in 2019.

In addition to our expanded To-Go model, we also added family value packs which include four entrées with an assortment of sides, and ready-to-grill steaks and pork that allow customers to order their preferred cut of meat to prepare at home. The majority of the sales around the family value packs and ready-to-grill occurred in the first half of 2020, when all of our dining rooms were closed. In total, these items represented less than 3% of restaurant sales for the year.

As a result of the significant change in our operating model in the first half of 2020, including the offering of these items, we do not believe that our per person average check and guest traffic counts provide a meaningful comparison to the prior year period. As such, these amounts have not been disclosed for 2020.

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

We opened 22 company restaurants across all concepts in 2020. At the onset of the pandemic, we delayed construction on all restaurants that were not substantially complete which decreased our planned store openings for the year. We currently plan to open 25 to 30 company restaurants across all concepts in 2021. To the extent that state and local guidelines begin to further reduce capacity at our restaurants, we could pull back on development and reduce capital expenditures accordingly.

Franchise Royalties and Fees

Franchise royalties and fees decreased by $4.0 million or 18.4% compared to 2019 due to lower average unit volume driven by comparable restaurant sales decreases at domestic and international franchise stores as well as the impact of the 53rd week in 2019. Comparable restaurant sales at domestic and international franchise stores decreased 17.3% in 2020. These comparable restaurant sales decreases include the impact of international locations that were temporarily closed during the year.

Additionally, in 2020, we waived royalties of $0.4 million for international franchisees in countries that were significantly impacted by the pandemic. We also made royalty deferral arrangements for many of our domestic and international franchisees. The majority of these royalty waiver and deferral arrangements were through the end of our Q2 2020 fiscal quarter.

Our existing domestic franchise partners opened two Texas Roadhouse restaurants in 2020. In addition, our existing international franchise restaurant partners opened two restaurants and closed two restaurants in 2020. We also acquired two domestic franchise restaurants in the fourth quarter of 2020. We anticipate our existing franchise partners will open as many as six Texas Roadhouse restaurants, primarily international, in 2021.

Food and Beverage Costs

Food and beverage costs, as a percentage of restaurant and other sales, increased to 32.8% in 2020 from 32.3% in 2019 primarily due to higher commodity inflation partially offset by a change in mix of items sold, including fewer alcoholic beverages. Commodity inflation was 2.1% in 2020, primarily driven by higher beef costs.

For 2021, we expect commodity cost inflation of approximately 3.0%.

Restaurant Labor Expenses

Restaurant labor expense, as a percentage of restaurant and other sales, increased to 36.8% in 2020 compared to 33.1% in 2019. This increase was primarily due to higher wage rates, increased benefits provided to our employees related to the pandemic, higher costs associated with health insurance, and a decrease in average unit volume. These increases were partially offset by employee retention payroll tax credits of $7.0 million related to relief pay paid to our hourly restaurant employees as well as a decrease in worker's compensation costs.

Higher wage rates were due to a significant number of employees moving from a tipped wage rate to a non-tipped wage rate due to the significant increase in To-Go sales. In addition, we incurred costs of $20.2 million for relief pay and enhanced benefits for our hourly employees. The relief pay was based on their level of hours worked prior to the pandemic and indexed for tenure. In addition, we enhanced certain sick pay and accrued vacation benefits and also provided a premium holiday on health insurance. Higher health insurance costs were due to higher claim costs as well as

rate and enrollment increases. The increased claim costs, driven by unfavorable claims experience, resulted in $3.8 million of unfavorable adjustments to our actuarial reserve estimate in 2020.

The employee retention payroll tax credit of $7.0 million was a credit made available through the CARES Act and related to relief pay for our hourly employees that was paid throughout 2020. The decrease in workers' compensation expense was due to changes in our claims development history included in our Q3 2020 actuarial reserve estimate that resulted in a favorable adjustment of $1.8 million.

Restaurant Rent Expense

Restaurant rent expense, as a percentage of restaurant and other sales, increased to 2.3% in 2020 compared to 1.9% in 2019 due to the decrease in average unit volume and the benefit of the 53rd week in 2019 along with higher rent expense, as a percentage of restaurant and other sales, at our newer restaurants.

Restaurant Other Operating Expenses

Restaurant other operating expenses, as a percentage of restaurant and other sales, increased to 17.0% in 2020 from 15.3% in 2019. This increase was due to a decrease in average unit volume, higher supplies expense and higher general liability insurance expense partially offset by lower losses on remodeling projects, laundry and linen and advertising expenses. Higher supplies expense was due to an increase in To-Go supplies, personal protective equipment, and other costs to support our hybrid operating model throughout the year. The increase in general liability insurance expense was due to changes in our claims development history included in our Q3 2020 actuarial reserve estimate that resulted in an unfavorable adjustment of $1.4 million. This compared to a favorable adjustment of $1.1 million in 2019. In addition, due to the significant decrease in our average unit volumes, expenses that are largely fixed, including utilities, property taxes, and other outside services increased as a percentage of restaurant and other sales.

Restaurant Pre-opening Expenses

Pre-opening expenses decreased to $20.1 million in 2020 from $20.2 million in 2019. The change in pre-opening expense is primarily driven by the number and timing of restaurant openings in a given year. Pre-opening costs will typically 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, increased to 4.9% in 2020 compared to 4.2% in 2019. The increase was primarily due to a decrease in average unit volume and higher depreciation at new restaurants partially offset by lower accelerated depreciation. In 2019, our accelerated depreciation was higher due to the planned relocation of several restaurants.

Impairment and Closure Costs, Net

Impairment and closure costs, net were $2.3 million and ($0.9) million in 2020 and 2019, respectively. In 2020, impairment and closure costs, net included $1.2 million related to the impairment of the fixed assets and operating lease right-of-use assets at four restaurants, all of which have relocated or are scheduled to be relocated. In addition, we recorded goodwill impairment of $1.1 million related to two restaurants. In 2019, impairment and closure costs, net included a gain of $2.6 million related to the forced relocation of one restaurant and $1.1 million related to the impairment of the operating lease right-of-use asset at an underperforming restaurant.

General and Administrative Expenses ("G&A")

G&A, as a percentage of total revenue, decreased to 5.0% in 2020 compared to 5.4% in 2019. The decrease was primarily driven by lower incentive and performance-based compensation costs, lower managing partner conference costs and lower travel costs partially offset by a decrease in average unit volume. Managing partner conference costs were lower in 2020 due to the cancellation of our annual conference.

As a result of the pandemic, our executive and leadership teams voluntarily agreed to reductions of salary and bonus for a portion of our 2020 fiscal year. Also, each non-employee member of our Board of Directors volunteered to forgo their director and committee fees and any cash retainers for a portion of our 2020 fiscal year.

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

Interest Expense (Income) Expense, Net

Interest expense was $4.1 million compared to interest income of $1.5 million in 2019. The increase in interest expense was primarily driven by additional borrowings on our credit facility due to the pandemic along with reduced earnings on our cash and cash equivalents.

Income Taxes

Our effective tax rate was a benefit of 81.4% in 2020 compared to expense of 15.1% in 2019. The benefit was primarily due to the impact of FICA tip and Work opportunity tax credits on lower pre-tax income. Additionally, these credits exceeded our federal tax liability in 2020 but we expect to utilize these credits in the future years or by carrying back to our 2019 tax year.

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	
	2020	2019
Net cash provided by operating activities	$ 230,438	$ 374,298
Net cash used in investing activities	(161,105)	(214,820)
Net cash provided by (used in) financing activities	185,943	(261,724)
Net increase (decrease) in cash and cash equivalents	$ 255,276	$ (102,246)

Net cash provided by operating activities was $230.4 million in 2020 compared to $374.3 million in 2019. This decrease was primarily due to a decrease in net income and a decrease in deferred income taxes partially offset by favorable changes in working capital. Working capital changes included the benefit of deferred payroll taxes related to the CARES Act.

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

Net cash used in investing activities was $161.1 million in 2020 compared to $214.8 million in 2019. The decrease is primarily due to a decrease in capital expenditures partially offset by the purchase of two franchise restaurants in 2020. The decrease in capital expenditures is primarily due to a delay in our development schedule due to the pandemic and decreased expenditures due to the completion of the remodel of our Support Center office.

We require capital principally for the development of new company restaurants, the refurbishment or relocation of existing restaurants and the acquisition of franchise restaurants, if any. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land when appropriate. As of December 29, 2020, 148 of the 537 company restaurants have been developed on land which we own.

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

	2020	2019
New company restaurants	$ 78,941	$ 99,957
Refurbishment of existing restaurants	47,735	63,548
Relocation of existing restaurants	17,917	25,131
Capital expenditures related to Support Center office	9,808	25,704
Total capital expenditures	$ 154,401	$ 214,340

At the onset of the pandemic, we delayed construction on all restaurants that were not substantially complete which decreased our planned restaurant openings for the year. In addition, we delayed any projects on existing restaurants that were not critical to their operations. In 2021, we expect our capital expenditures to be $210.0 million to $220.0 million and we currently plan to open 25 to 30 company restaurants across all concepts. To the extent that state and local guidelines begin to significantly reduce capacity and/or re-close dining rooms, we could pull back on development and reduce capital expenditure spend accordingly.

Net cash provided by financing activities was $185.9 million in 2020 compared to net cash used in financing activities of $261.7 million in 2019. The increase is primarily due to increased borrowings under our revolving credit facility offset by a decrease in share repurchases and dividends paid.

In March 2020, we increased our borrowings by $190.0 million as a precautionary measure in order to bolster our cash position and enhance financial flexibility. On May 11, 2020, we amended the revolving credit facility to increase the amount available under the facility by $82.5 million and drew down $50.0 million of the increased amount. The proceeds from these borrowings, which totaled $240.0 million, are being used for general corporate purposes, including, without limitation, working capital, capital expenditures in the ordinary course of business, or other lawful corporate purposes, all in accordance with and subject to the terms and conditions of the facility. If the pandemic continues to adversely impact our business for a significant period of time, we may need to further increase the credit facility and/or seek other sources of liquidity. There is no guarantee that we can increase the credit facility or that additional liquidity will be readily available or available at favorable terms.

On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to $250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. During 2020, we paid $12.6 million to repurchase 252,409 shares of our common stock. On March 17, 2020, we suspended all share repurchase activity. As of December 29, 2020, $147.8 million remains authorized for stock repurchases. We are currently evaluating when we will resume the repurchase of shares.

On February 20, 2020, our Board of Directors authorized the payment of a cash dividend of $0.36 per share of common stock. The payment of this dividend totaling $25.0 million was distributed on March 27, 2020 to shareholders of record at the close of business on March 11, 2020. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends of the Company's common stock, effective with respect to dividends occurring after March 27, 2020. We are currently evaluating when we will resume the payment of cash dividends.

We paid distributions of $3.4 million and $6.4 million to equity holders of all of our 20 majority-owned company restaurants in 2020 and 2019, respectively.

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 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 revolving credit facility by an additional $200.0 million subject to certain limitations, including approval by the syndicate of lenders. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to $82.5 million. This amount reduced the additional $200.0 million that was available under the revolving credit facility. The maturity date for the incremental revolving credit facility is May 10, 2021. The maturity date for the original

revolving credit facility remains August 5, 2022.

The terms of the amendment require us to pay interest on outstanding borrowings of the original revolving credit facility at LIBOR plus a margin of 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. As of December 29, 2020, we had $190.0 million outstanding on the original revolving credit facility and $1.8 million of availability, net of $8.2 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of December 29, 2020, we had $50.0 million outstanding and $32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the revolving credit facility as of December 29, 2020 was 1.98%.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants. The amendment to the revolving credit facility also modified the financial covenants through the end of our Q1 2021 fiscal quarter. We were in compliance with all financial covenants as of December 29, 2020.

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 29, 2020 (in thousands):

	Payments Due by Period				
	Total	**Less than 1 year**	**1 - 3 Years**	**3 - 5 Years**	**More than 5 years**
Long-term debt obligation, including current maturities	$ 240,000	$ 50,000	190,000	$ —	$ —
Obligation under finance lease	2,122	—	—	—	2,122
Interest(1)	10,287	4,083	2,389	571	3,244
Operating lease obligations	1,046,273	56,201	114,484	112,844	762,744
Capital obligations	95,870	95,870	—	—	—
Total contractual obligations(2)	$ 1,394,552	$ 206,154	$ 306,873	$ 113,415	$ 768,110

(1) Includes interest on our revolving credit facility and interest on a finance lease. Uses interest rates on our revolving credit facility as of December 29, 2020 for our variable rate debt. We assumed $240.0 million remains outstanding on our revolving credit facility through the respective maturity for all borrowings. We assumed a constant interest rate until maturity on our finance lease.

(2) Unrecognized tax benefits under ASC 740, *Income Taxes,* are not significant and excluded from this amount.

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Guarantees

As of December 29, 2020 and December 31, 2019, we were contingently liable for $13.0 million and $13.9 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 29, 2020 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1)(2)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2026
Fargo, North Dakota (1)	February 2006	July 2026
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (3)	December 2013	December 2024
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 17 to the accompanying consolidated financial statements, this restaurant is owned in part by our founder.

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

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

Critical Accounting Policies and Estimates

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

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

If assets are determined to be impaired, we measure the impairment charge by calculating the amount by which the asset carrying amount exceeds its estimated fair value. The determination of asset fair value is also subject to significant judgment. We generally measure estimated fair value by 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.

In 2020, as a result of our quarterly impairment analysis, we recorded a total charge of $1.2 million related to the impairment of the fixed assets and operating lease right-of-use assets at four restaurants, all of which have relocated or are scheduled to be relocated. See note 16 in the consolidated financial statements for further discussion regarding closures and impairments recorded in 2020, 2019 and 2018.

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 fair value of the reporting unit. 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 fair value of the reporting unit.

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 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 29, 2020, we had 73 reporting units, primarily at the restaurant level, with allocated goodwill of $127.0 million. The average amount of goodwill associated with each reporting unit is $1.7 million with six reporting units having goodwill in excess of $4.0 million. In connection with our annual impairment analysis, we recorded an impairment charge of $1.1 million related to two restaurant reporting units. Since we determine the fair value of goodwill at the restaurant level, any significant decreases in cash flows at these restaurants or others could further trigger impairment charges in the future. The fair value of each of our reporting units, excluding the two in which we recorded impairment charges in the current year, was substantially in excess of their respective carrying values as of the 2020 goodwill impairment test. See note 16 in the consolidated financial statements for further discussion regarding closures and impairments recorded in 2020, 2019 and 2018.

Effects of Inflation

We have not operated in a period of high commodity 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 or tipped wages and, accordingly, increases in minimum or tipped wages 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 variable rate debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to $82.5 million and to modify the financial covenants through the end of our Q1 2021 fiscal quarter. The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. Subsequent to our Q1 2021 fiscal quarter, we are required to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 2.25% and to pay a commitment fee of 0.125% to 0.40% depending on our consolidated net leverage ratio. As of December 29, 2020, we had $190.0 million outstanding on our amended credit agreement. This outstanding amount is included as long-term debt on our consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of December 29, 2020, we had $50.0 million outstanding and $32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the $240.0 million of combined borrowings on our revolving credit facility as of December 29, 2020 was 1.98%. Should interest rates based on these variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by $2.4 million.

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 29, 2020.

Changes in internal control

There were no significant changes to the Company's internal control over financial reporting that occurred during the quarter ended December 29, 2020 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 29, 2020.

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 29, 2020 as stated in their report at F-3.

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 on or about April 2, 2021.

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 on or about April 2, 2021.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from our Definitive Proxy Statement to be dated on or about April 2, 2021.

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 on or about April 2, 2021.

Equity Compensation Plan Information

As of December 29, 2020, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. See note 14 to the Consolidated Financial Statements for a description of the plans.

Plan Category	Shares to Be Issued Upon Vest Date (1)	Shares Available for Future Grants
Plans approved by stockholders	872,563	2,340,630
Plans not approved by stockholders	—	—
Total	872,563	2,340,630

(1) Total number of shares consists of 793,563 restricted stock units and 79,000 performance stock units. Shares in this column are excluded from the Shares Available for Future Grants column. No stock options were outstanding as of December 29, 2020.

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

Incorporated by reference from our Definitive Proxy Statement to be dated on or about April 2, 2021.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from our Definitive Proxy Statement to be dated on or about April 2, 2021.

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 29, 2020 and December 31, 2019	F-5
Consolidated Statements of Income and Comprehensive Income for the years ended December 29, 2020, December 31, 2019 and December 25, 2018	F-6
Consolidated Statements of Stockholders' Equity for the years ended December 29, 2020, December 31, 2019 and December 25, 2018	F-7
Consolidated Statements of Cash Flows for the years ended December 29, 2020, December 31, 2019 and December 25, 2018	F-8
Notes to Consolidated Financial Statements	F-9

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))
4.2	Description of Securities (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 000-50972))
10.1	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))
10.2	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))
10.3	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))
10.4	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 29, 2020 the form of which is set forth in Exhibit 10.2 of this Form 10-K
10.5	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 29, 2020 the form of which is set forth in Exhibit 10.3 of this Form 10-K
10.6*	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))

Exhibit No.	Description
10.7*	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))
10.8*	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))
10.9*	Employment Agreement between the Registrant and W. Kent Taylor entered into as of December 26, 2017 (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 25, 2018 (File No. 000-50972))
10.10*	Employment Agreement between the Registrant and S. Chris Jacobsen entered into as of December 26, 2017 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 26, 2017 (File No. 000-50972))
10.11*	Form of Performance Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2015 (File No. 000-50972))
10.12*	Employment Agreement between Texas Roadhouse Management Corp. and Tonya Robinson entered into as of May 18, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2018 (File No. 000-50972))
10.13*	Employment Agreement between Texas Roadhouse Management Corp. and Doug Thompson entered into as of August 23, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2018 (File No. 000-50972))
10.14*	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))
10.15*	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))
10.16*	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))
10.17*	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))
10.18*	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))
10.19	Master Lease Agreement dated October 26, 2018 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2018 (File No. 000-50972))
10.20	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))
10.23	Amended and Restated Credit Agreement dated as of August 7, 2017, by and among Texas Roadhouse Inc., and the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated August 7, 2017 (File No. 000-50972))
10.24*	Consulting Agreement and General Release of Claims between Scott M. Colosi and Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. entered into July 3, 2019 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated July 3, 2019 (File No. 000-50972))

Exhibit No.	Description
10.25*	Executive Transition and Consulting Agreement between Celia Catlett and Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. entered into on August 21, 2019 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated August 21, 2019 (File No. 000-50972))
10.26	Assignment and Assumption Agreement between Texas Roadhouse Holdings LLC and Texas Roadhouse, Inc. dated October 26, 2018 (incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 000-50972))
10.27	First Amendment to Paragon Centre Master Lease Agreement between Paragon Centre Holdings, LLC and Texas Roadhouse, Inc. dated December 13, 2019 (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 000-50972))
10.28*	First Amendment to 2018 Employment Agreement between Texas Roadhouse Management Corp. and W. Kent Taylor dated March 24, 2020 (incorporated by reference to Exhibit 10.1 the Registrant's Current Report on 8-K dated March 24, 2020 (File No. 000-50972))
10.29*	First Amendment to 2018 Employment Agreement between Texas Roadhouse Management Corp. and Doug Thompson dated April 6, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on 8-K dated April 6, 2020 (File No. 000-50972))
10.30*	First Amendment to 2018 Employment Agreement between Texas Roadhouse Management Corp. and S. Chris Jacobsen dated April 6, 2020 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on 8-K dated April 6, 2020 (File No. 000-50972))
10.31*	First Amendment to 2018 Employment Agreement between Texas Roadhouse Management Corp. and Tonya Robinson dated April 6, 2020 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on 8-K dated April 6, 2020 (File No. 000-50972))
10.32	First Amendment to Amended and Restated Credit Agreement, dated as of May 11, 2020, 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 8-K dated May 11, 2020 (File No. 000-50972))
10.33*	Employment Agreement between Registrant and Gerald L. Morgan entered into as of December 17, 2020
10.34*	Employment Agreement between Registrant and W. Kent Taylor entered into as of December 30, 2020
10.35*	Employment Agreement between Registrant and Doug Thompson entered into as of December 30, 2020
10.36*	Employment Agreement between Registrant and S. Chris Jacobsen entered into as of December 30, 2020
10.37*	Employment Agreement between Registrant and Tonya Robinson entered into as of December 30, 2020
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 29, 2020, filed February 26, 2021, formatted in inline eXtensible Business Reporting Language (iXBRL): (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.
104	Cover page, formatted in iXBRL and contained in Exhibit 101.

* 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 26, 2021

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 26, 2021
/s/ TONYA R. ROBINSON Tonya R. Robinson	Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	February 26, 2021
/s/ MICHAEL A. CRAWFORD Michael A. Crawford	Director	February 26, 2021
/s/ GREGORY N. MOORE Gregory N. Moore	Director	February 26, 2021
/s/ CURTIS A. WARFIELD Curtis A. Warfield	Director	February 26, 2021
/s/ KATHLEEN M. WIDMER Kathleen M. Widmer	Director	February 26, 2021
/s/ JAMES R. ZARLEY James R. Zarley	Director	February 26, 2021

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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 29, 2020 and December 31, 2019, 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 29, 2020, 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 29, 2020 and December 31, 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 29, 2020, 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 29, 2020, 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 26, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective December 26, 2018, the Company changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board Accounting Standard Codification Topic 842, *Leases*.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Potential indicators of impairment of long-lived assets

As discussed in Notes 2 and 16 to the consolidated financial statements, the Company assesses long-lived assets, primarily related to restaurants held and used in the business, including property and equipment and

right-of-use assets, for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant, or asset group, may not be recoverable. Trailing 12-month cash flows under predetermined amounts at the individual restaurant level are the Company's primary indicator that the carrying amount of a restaurant may not be recoverable. Property and equipment, net of accumulated depreciation, and the operating lease right-of-use asset, net as of December 29, 2020 were $1,088.6 million and $530.6 million, respectively.

We identified the assessment of the Company's determination of potential indicators of impairment of long-lived assets as a critical audit matter. Subjective auditor judgement was required to evaluate the events or circumstances indicating the carrying amount of an asset group may not be recoverable, including the determination of the cash flow thresholds, the utilization of the trailing 12-month cash flows to identify a potential impairment trigger, and the consideration of the impact of the pandemic on the Company's cash flows.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's long-lived asset impairment process, including controls relating to determination and identification of potential indicators of impairment. We evaluated the Company's methodology of using trailing 12-month cash flow results under predetermined thresholds at the individual restaurant level as a potential indicator of impairment. Specifically, we evaluated the Company's assessment of the factors considered, including the cash flows at the individual restaurant level and the cash flow thresholds used in the Company's analysis, as well as the impact of the pandemic. We tested that those restaurants with trailing 12-month cash flows were evaluated for potential impairment triggers and we compared the trailing 12-month cash flows to historical financial data. We also assessed other events and circumstances that could have been indicative of a potential impairment trigger by reviewing management's development reports and related meeting minutes and the board of directors meeting minutes.

/s/ KPMG LLP

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

Louisville, Kentucky
February 26, 2021

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 29, 2020, 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 29, 2020, 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 29, 2020 and December 31, 2019, 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 29, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2021 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 26, 2021

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 29, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 363,155	$ 107,879
Receivables, net of allowance for doubtful accounts of $11 at December 29, 2020 and $12 at December 31, 2019	98,418	99,305
Inventories, net	22,364	20,267
Prepaid income taxes	4,502	2,015
Prepaid expenses and other current assets	22,212	18,433
Total current assets	510,651	247,899
Property and equipment, net of accumulated depreciation of $763,700 at December 29, 2020 and $678,988 at December 31, 2019	1,088,623	1,056,563
Operating lease right-of-use assets, net	530,625	499,801
Goodwill	127,001	124,748
Intangible assets, net of accumulated amortization of $14,341 at December 29, 2020 and $14,141 at December 31, 2019	2,271	1,234
Other assets	65,990	53,320
Total assets	$ 2,325,161	$ 1,983,565
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of operating lease liabilities	$ 19,271	$ 17,263
Current maturities of long-term debt	50,000	—
Accounts payable	66,977	61,653
Deferred revenue-gift cards	232,812	209,258
Accrued wages and payroll taxes	51,982	39,699
Income taxes payable	2,859	—
Accrued taxes and licenses	24,751	30,433
Other accrued liabilities	57,666	58,914
Total current liabilities	506,318	417,220
Operating lease liabilities, net of current portion	572,171	538,710
Long-term debt	190,000	—
Restricted stock and other deposits	7,481	8,249
Deferred tax liabilities, net	2,802	22,695
Other liabilities	103,338	65,522
Total liabilities	1,382,110	1,052,396
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock ($0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock ($0.001 par value, 100,000,000 shares authorized, 69,561,861 and 69,400,252 shares issued and outstanding at December 29, 2020 and December 31, 2019, respectively)	70	69
Additional paid-in-capital	145,626	140,501
Retained earnings	781,915	775,649
Accumulated other comprehensive loss	(106)	(225)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	927,505	915,994
Noncontrolling interests	15,546	15,175
Total equity	943,051	931,169
Total liabilities and equity	$ 2,325,161	$ 1,983,565

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 29, 2020	December 31, 2019	December 25, 2018
Revenue:			
Restaurant and other sales	$ 2,380,177	$ 2,734,177	$ 2,437,115
Franchise royalties and fees	17,946	21,986	20,334
Total revenue	2,398,123	2,756,163	2,457,449
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Food and beverage	780,646	883,357	795,300
Labor	875,764	905,614	793,384
Rent	54,401	52,531	48,791
Other operating	403,726	418,448	375,477
Pre-opening	20,099	20,156	19,051
Depreciation and amortization	117,877	115,544	101,216
Impairment and closure, net	2,263	(899)	278
General and administrative	119,503	149,389	136,163
Total costs and expenses	2,374,279	2,544,140	2,269,660
Income from operations	23,844	212,023	187,789
Interest expense (income), net	4,091	(1,514)	591
Equity (loss) income from investments in unconsolidated affiliates	(500)	378	1,353
Income before taxes	19,253	213,915	188,551
Income tax (benefit) expense	(15,672)	32,397	24,257
Net income including noncontrolling interests	34,925	181,518	164,294
Less: Net income attributable to noncontrolling interests	3,670	7,066	6,069
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 31,255	$ 174,452	$ 158,225
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment, net of tax of ($40), ($1) and $53, respectively	119	3	(189)
Total comprehensive income	$ 31,374	$ 174,455	$ 158,036
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	$ 0.45	$ 2.47	$ 2.21
Diluted	$ 0.45	$ 2.46	$ 2.20
Weighted average shares outstanding:			
Basic	69,438	70,509	71,467
Diluted	69,893	70,916	71,964
Cash dividends declared per share	$ 0.36	$ 1.20	$ 1.00

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 26, 2017	71,168,897	$ 71	$ 236,548	$ 602,499	$ (39)	$ 839,079	$ 12,312	$ 851,391
Net income	—	—	—	158,225	—	158,225	6,069	164,294
Other comprehensive loss, net of tax	—	—	—	—	(189)	(189)	—	(189)
Noncontrolling interests contribution	—	—	—	—	—	—	2,551	2,551
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(5,746)	(5,746)
Acquisition of noncontrolling interest	—	—	(75)			(75)	(47)	(122)
Contribution from executive officer	—	—	1,000			1,000	—	1,000
Dividends declared ($1.00 per share)	—	—	—	(71,509)	—	(71,509)	—	(71,509)
Shares issued under share-based compensation plans including tax effects	684,804	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(236,191)	—	(14,067)	—	—	(14,067)	—	(14,067)
Cumulative effect of adoption of ASC 606, *Revenue from Contracts with Customers*, net of tax	—	—	—	(878)	—	(878)	—	(878)
Share-based compensation	—	—	33,983	—	—	33,983	—	33,983
Balance, December 25, 2018	71,617,510	$ 72	$ 257,388	$ 688,337	$ (228)	$ 945,569	$ 15,139	$ 960,708
Net income	—	—	—	174,452	—	174,452	7,066	181,518
Other comprehensive income, net of tax	—	—	—	—	3	3	—	3
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(6,357)	(6,357)
Acquisition of noncontrolling interest and other	—	—	(70)	—	—	(70)	(673)	(743)
Dividends declared ($1.20 per share)	—	—	—	(84,462)	—	(84,462)	—	(84,462)
Shares issued under share-based compensation plans including tax effects	617,395	—	—	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(209,408)	—	(12,471)	—	—	(12,471)	—	(12,471)
Repurchase of shares of common stock	(2,625,245)	(3)	(139,846)	—	—	(139,849)	—	(139,849)
Cumulative effect of adoption of ASC 842, *Leases,* net of tax	—	—	—	(2,678)	—	(2,678)	—	(2,678)
Share-based compensation	—	—	35,500	—	—	35,500	—	35,500
Balance, December 31, 2019	69,400,252	$ 69	$ 140,501	$ 775,649	$ (225)	$ 915,994	$ 15,175	$ 931,169
Net income	—	—	—	31,255	—	31,255	3,670	34,925
Other comprehensive income, net of tax	—	—	—	—	119	119	—	119
Noncontrolling interests contribution	—	—	—	—	—	—	133	133
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,432)	(3,432)
Dividends declared ($0.36 per share)	—	—	—	(24,989)	—	(24,989)	—	(24,989)
Shares issued under share-based compensation plans including tax effects	615,181	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(201,163)	—	(11,684)	—	—	(11,684)	—	(11,684)
Repurchase of shares of common stock	(252,409)	—	(12,621)	—	—	(12,621)	—	(12,621)
Share-based compensation	—	—	29,431	—	—	29,431	—	29,431
Balance, December 29, 2020	69,561,861	$ 70	$ 145,626	$ 781,915	$ (106)	$ 927,505	$ 15,546	$ 943,051

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	December 29, 2020	December 31, 2019	December 25, 2018
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 34,925	$ 181,518	$ 164,294
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	117,877	115,544	101,216
Deferred income taxes	(19,932)	6,335	12,319
Loss on disposition of assets	3,144	5,885	6,008
Impairment and closure costs	2,290	(1,283)	105
Contribution from executive officer	—	—	1,000
Equity loss (income) from investments in unconsolidated affiliates	500	(378)	(1,353)
Distributions of income received from investments in unconsolidated affiliates	329	1,837	656
Provision for doubtful accounts	(1)	(22)	(9)
Share-based compensation expense	29,431	35,500	33,983
Changes in operating working capital:			
Receivables	1,058	(5,774)	(15,597)
Inventories	(2,017)	(1,414)	(2,495)
Prepaid expenses and other current assets	(2,133)	(2,049)	(3,023)
Other assets	(12,698)	(12,823)	(4,290)
Accounts payable	490	407	8,882
Deferred revenue—gift cards	23,458	16,991	35,519
Accrued wages and payroll taxes	12,283	5,540	4,481
Prepaid income taxes and income taxes payable	372	5,554	(8,581)
Accrued taxes and licenses	(5,700)	5,802	2,634
Other accrued liabilities	4,099	(3,773)	7,569
Operating lease right-of-use assets and lease liabilities	4,635	5,826	—
Deferred rent	—	—	5,938
Other liabilities	38,028	15,075	3,612
Net cash provided by operating activities	230,438	374,298	352,868
Cash flows from investing activities:			
Capital expenditures—property and equipment	(154,401)	(214,340)	(155,980)
Acquisition of franchise restaurants, net of cash acquired	(10,580)	(1,536)	(2,165)
Proceeds from sale of property and equipment	1,709	1,056	—
Proceeds from sale leaseback transaction	2,167	—	—
Net cash used in investing activities	(161,105)	(214,820)	(158,145)
Cash flows from financing activities:			
Proceeds from revolving credit facility	240,000	—	—
Debt issuance costs	(641)	—	—
Proceeds from noncontrolling interest contribution	133	—	2,551
Distributions to noncontrolling interest holders	(3,432)	(6,357)	(5,746)
Acquisition of noncontrolling interest	—	(743)	(122)
(Repayments) proceeds from restricted stock and other deposits, net	(823)	62	418
Indirect repurchase of shares for minimum tax withholdings	(11,684)	(12,471)	(14,067)
Repurchase of shares of common stock	(12,621)	(139,849)	—
Principal payments on long-term debt	—	—	(50,000)
Dividends paid to shareholders	(24,989)	(102,366)	(68,550)
Net cash provided by (used in) financing activities	185,943	(261,724)	(135,516)
Net increase (decrease) in cash and cash equivalents	255,276	(102,246)	59,207
Cash and cash equivalents—beginning of period	107,879	210,125	150,918
Cash and cash equivalents—end of period	$ 363,155	$ 107,879	$ 210,125
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$ 3,890	$ 738	$ 896
Income taxes paid	$ 3,776	$ 20,440	$ 20,519
Capital expenditures included in current liabilities	$ 14,808	$ 15,416	$ 7,332

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 29, 2020 and December 31, 2019 and for each of the years in the three-year period ended December 29, 2020.

As of December 29, 2020, we owned and operated 537 restaurants and franchised an additional 97 restaurants in 49 states and ten foreign countries. Of the 537 company restaurants that were operating at December 29, 2020, 517 were wholly-owned and 20 were majority-owned. Of the 97 franchise restaurants, 69 were domestic and 28 were international restaurants.

As of December 31, 2019, we owned and operated 514 restaurants and franchised an additional 97 restaurants in 49 states and ten foreign countries. Of the 514 company restaurants that were operating at December 31, 2019, 494 were wholly-owned and 20 were majority-owned. Of the 97 franchise restaurants, 69 were domestic and 28 were international restaurants.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic (the "pandemic"). On March 13, 2020, the pandemic was declared a National Public Health Emergency. Shortly after the national emergency declaration, state and local officials began placing restrictions on restaurants, some of which allowed To-Go or curbside service only while others limited capacity in the dining room. By late March all of our domestic company and franchise restaurants were under state or local order which only allowed for To-Go or curbside service. Beginning in early May 2020, state and local guidelines began to allow dining rooms to re-open, typically at a limited capacity. While all of our dining rooms were able to re-open in some capacity, many were required to close again in areas more severely impacted by the pandemic. As of December 29, 2020, 82% of our company restaurants had their dining rooms operating under various limited capacity restrictions. Our remaining restaurants were limited to outdoor and/or To-Go or curbside service only.

In response to the impact of the pandemic on our restaurant operations, we have developed a hybrid operating model that accommodates our limited capacity dining rooms together with enhanced To-Go, which includes a curbside and/or drive-up operating model, as permitted by local guidelines. This includes design changes to our building to better accommodate the increased To-Go sales and the expansion of outdoor seating areas where allowed. We also have installed booth partitions in all of our restaurants as an added safety measure for our guests. In addition, we have increased our already strict sanitation requirements, are conducting daily health and temperature checks for all employees before they begin their shift and are requiring personal protective equipment to be worn by all restaurant employees at all times. As we work through the local regulations at each of our locations, the safety of our employees and guests remains our top priority.

As a result of the dining room restrictions and temporary closures, we have experienced a significant decrease in traffic which has impacted our operating results. While the majority of our dining rooms have re-opened, a significant portion continue to operate under capacity restrictions that severely limit the number of guests we can serve. In addition, while we have seen significant sales growth in our To-Go program, even with dining rooms re-opened, we currently do not expect these sales will generate a similar profit margin and cash flows to our normal operating model. We expect our operating results to continue to be impacted until at least such time that all state and local restrictions are lifted, and our dining rooms can operate at full capacity. We cannot predict how long the pandemic will last, how long it will take until all state and local restrictions will be lifted, or the extent to which our dining rooms will have to close again. In addition, we cannot predict the overall impact on the economy or consumer spending habits. The extent of these dining room restrictions and temporary closures will determine the significance of the impact to our financial condition, financial results, and liquidity in future periods. In addition, significant items subject to estimates and assumptions including the carrying amount of property and equipment, goodwill, and lease related assets could be impacted.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 29, 2020 and December 31, 2019, we owned a 5.0% to 10.0% equity interest in 24 restaurants. Additionally, as of December 29, 2020 and December 31, 2019, 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 (loss) 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 2020 and 2018 were 52 weeks in length and fiscal year 2019 was 53 weeks in length. In fiscal year 2019, the 53rd week added $59.0 million to restaurant and other sales and $0.10 to $0.11 to diluted earnings per share in our consolidated statements of income and comprehensive income.

(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 $18.1 million and $22.4 million at December 29, 2020 and December 31, 2019, 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 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) 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(g) for further discussion of leases.

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 $25.2 million, $27.9 million and $29.7 million for the years ended December 29, 2020, December 31, 2019 and December 25, 2018, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(g) Leases

We lease land and/or buildings for the majority of our restaurants under non-cancelable lease agreements which have initial terms and one or more option periods. In addition, certain of these leases contain pre-determined fixed escalations of the minimum rent over the lease term.

Beginning in 2019 with the adoption of ASC 842, *Leases*, we recognize operating lease right-of-use assets and operating lease liabilities for these leases based on the present value of the lease payments over the lease term. In addition, for those leases with fixed escalations, we recognize the related rent expense on a straight-line basis over the lease term. See note 8 for further discussion of leases.

(h) 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 reporting unit level, which we define as the individual restaurant level. These tests are performed on an annual basis, or sooner if an event or other circumstance indicates that goodwill may be impaired. Prior to 2019, this annual assessment occurred at the end of each fiscal year. In 2019, we changed the annual assessment date to the beginning of our fourth quarter. As our primary indicator of impairment is a decrease in cash flows and because we have a significant number of reporting units with goodwill, an earlier evaluation date allows us to more timely identify potential impairments. This change was not due to any goodwill impairment concerns within any of our reporting units. In addition, we determined this did not represent a material change to a method of applying an accounting principle.

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 over the fair value of the reporting unit.

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 resulting in an impairment.

In 2020, as a result of our annual goodwill impairment analysis, we recorded goodwill impairment of $1.1 million related to two reporting units. In 2019 and 2018, we determined that there was no goodwill impairment. Refer to note 7 for additional information related to goodwill and intangible assets.

(i) Other Assets

Other assets consist primarily of deferred compensation plan assets, investments in unconsolidated affiliates and deposits. For further discussion of the deferred compensation plan, see note 15.

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment, operating lease right-of-use assets 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. For the purposes of this evaluation, we define the asset group at the individual restaurant level. When we evaluate the 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 under a predetermined amount at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the estimated fair value of the assets. We generally measure fair value by 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. See note 16 for further discussion of amounts recorded as part of our impairment analysis.

(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	$500,000 / $2,500,000
Workers' compensation	$350,000
General liability	$1,000,000
Property	$250,000
Employee healthcare	$350,000

We record a liability for unresolved claims and for an estimate of incurred but not reported claims based on historical experience. 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 29, 2020, we operated 537 restaurants, each as a single operating segment, and franchised an additional 97 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

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

We recognize revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. This ASC requires an entity to allocate the transaction price received from customers to each separate and distinct performance obligation and recognize revenue as these performance obligations are satisfied. We recognize sales-based royalties as franchise restaurant sales occur. For initial and upfront franchise fees from international development agreements, because the services we provide related to these fees do not contain separate and distinct performance obligations from the franchise right, these fees are recognized on a straight-line basis over the term of the associated franchise agreement. For further discussion of revenue, see note 3.

(n) Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. For all years presented, no valuation allowances have been recorded.

(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 all the years presented. Domestic company and franchise restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. Advertising contributions related to company restaurants are recorded as a component of other operating costs. Advertising contributions received from our franchisees are recorded as a component of franchise royalties and fees in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company restaurant contribution amounted to $13.8 million, $18.3 million and $17.1 million for the years ended December 29, 2020, December 31, 2019 and December 25, 2018, respectively.

(p) Pre-opening Expenses

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

(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 GAAP. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, obligations related to insurance reserves, leases and leasehold improvements, legal reserves, gift card breakage and third party fees and income taxes. Actual results could differ from those estimates.

(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 foreign currency translation adjustments which are excluded from net income under GAAP. Foreign currency translation adjustment 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 our investment.

(s) Fair Value of Financial Instruments

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

(t) Recent Accounting Pronouncements

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. We adopted ASU 2016-13 as of the beginning of our 2020 fiscal year. The adoption of this standard did not have a significant impact on our consolidated financial statements.

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

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* which simplifies the accounting for goodwill impairment and is expected to reduce the cost and complexity of accounting for goodwill. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Instead, goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of the goodwill. We adopted ASU 2017-04 as of the beginning of our 2020 fiscal year. The adoption of this standard did not have a significant impact on our consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which changes disclosure requirements for fair value measurements. We adopted ASU 2018-13 as of the beginning of our 2020 fiscal year. The adoption of this standard did not have a significant impact on our consolidated financial statements.

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

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which removes certain exceptions related to the approach for intraperiod tax allocations, the calculation of income taxes in interim periods, and the recognition of deferred taxes for investments. This guidance also simplifies aspects of accounting for recognizing deferred taxes for taxable goodwill. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 (our 2021 fiscal year) and for interim periods within those years, with early adoption permitted. We are currently assessing the impact of this new standard on our consolidated financial statements.

Reference Rate Reform
(Accounting Standards Update 2020-04, "ASU 2020-04")

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

(3) Revenue

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

	Fiscal Year Ended		
	December 29, 2020	**December 31, 2019**	**December 25, 2018**
Restaurant and other sales	$ 2,380,177	$ 2,734,177	$ 2,437,115
Franchise royalties	15,542	19,445	17,443
Franchise fees	2,404	2,541	2,891
Total revenue	$ 2,398,123	$ 2,756,163	$ 2,457,449

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

Other sales include the amortization of gift card breakage and fees associated with third party gift card sales. We record deferred revenue for gift cards that have been sold but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue. For some of the gift cards that are sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that 4% of the value of the gift cards sold by the 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 or on actual redemptions in periods where redemptions do not align with historic redemption patterns. In addition, we incur fees on all gift cards that are sold through third party retailers. These fees are also deferred and recorded consistent with the historic redemption pattern of the associated gift cards or on actual redemptions in periods where redemptions do not align with historic redemption patterns. For the years ended December 29, 2020 and December 31, 2019, we recognized gift card fees, net of gift card breakage income, of $6.8 million and $9.1 million, respectively. Total deferred revenue related to our gift cards is included in deferred revenue-gift cards in our consolidated balance sheets and includes the full value of unredeemed gift cards less the amortized portion of the breakage rates and the unamortized portion of third party fees. As of December 29, 2020 and December 31, 2019, our deferred revenue balance related to gift cards was $232.8 million and $209.3 million, respectively. This change was primarily due to the sale of additional gift cards partially offset by the redemption of gift cards. We recognized restaurant sales of $115.5 million for the year ended December 29, 2020 related to the amount in deferred revenue as of December 31, 2019. We recognized restaurant sales of $135.2 million for the year ended December 31, 2019 related to the amount in deferred revenue as of December 25, 2018.

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

Franchise fees are all remaining fees from our franchisees including initial fees, upfront fees from international agreements, fees paid to our domestic marketing and advertising fund, and fees for supervisory and administrative services. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. These initial fees and renewal fees are deferred and recognized over the term of the agreement. We also enter into area development agreements for the development of international Texas Roadhouse restaurants. Upfront fees from development agreements are deferred and recognized on a pro-rata basis over the term of the individual restaurant franchise agreement as restaurants under the development agreement are opened. Our domestic franchise agreement also requires our franchisees to remit 0.3% of sales to our system-wide marketing and advertising fund. These amounts are recognized as revenue as the corresponding franchise restaurant sales occur. Finally, we perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Total deferred revenue related to our franchise agreements is included in other liabilities in our consolidated balance sheets and was $1.9 million as of December 29, 2020 and December 31, 2019. We recognized revenue of $0.4 million and $0.3 million for the years ended December 29, 2020 and December 31, 2019, respectively, related to the amounts in deferred revenue as of December 31, 2019 and December 25, 2018, respectively.

(4) Acquisitions

In late 2020, we separately acquired two franchise restaurants. Pursuant to the terms of the acquisition agreements, we paid a total purchase price of $10.6 million. These transactions were accounted for using the purchase method as defined in ASC 805, *Business Combinations* ("ASC 805"). These acquisitions generated goodwill of $3.3 million, which is not amortizable for book purposes, but is deductible for tax purposes. We also acquired an intangible reacquired franchise right asset of $1.6 million which will be amortized over 3.4 years based on the remaining term of the franchise agreement.

In late 2019, we acquired one franchise restaurant which was subsequently relocated. Pursuant to the terms of the acquisition agreement, we paid a total purchase price of $1.5 million and accounted for this transaction using the purchase method as defined in ASC 805. This acquisition generated goodwill of $1.5 million, which is not amortizable for book purposes, but is deductible for tax purposes.

These acquisitions are consistent with our long-term strategy to increase net income and earnings per share. Pro forma results of operations and revenue and earnings for the years ended December 29, 2020 and December 31, 2019 have not been presented because the effect of the acquisitions was not material to our consolidated financial position, results of operations or cash flows.

(5) Long-term Debt

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, including approval by the syndicate of lenders. On May 11, 2020, we amended the revolving credit facility to provide for an incremental revolving credit facility of up to $82.5 million. This amount reduced the additional $200.0 million that was available under the revolving credit facility. The maturity date for the incremental revolving credit facility is May 10, 2021. The maturity date for the original revolving credit facility remains August 5, 2022.

The terms of the amendment require us to pay interest on outstanding borrowings of the original revolving credit facility at the London Interbank Offered Rate ("LIBOR") plus a margin of 1.50% and to pay a commitment fee of 0.25% per year on any unused portion of the amended revolving credit facility through the end of our Q1 2021 fiscal quarter. The amendment also provides an Alternate Base Rate that may be substituted for LIBOR. Subsequent to our Q1 2021 fiscal quarter, we are required to pay interest on outstanding borrowings at LIBOR plus a margin of 0.875% to 2.25% and to pay a commitment fee of 0.125% to 0.40% depending on our consolidated net leverage ratio. As of December 29, 2020, we had $190.0 million outstanding on the original revolving credit facility and $1.8 million of availability, net of $8.2 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our consolidated balance sheet.

The terms of the amendment also require us to pay interest on outstanding borrowings of the incremental revolving credit facility at LIBOR, which is subject to a floor of 1.0%, plus a margin of 2.25% and to pay a commitment fee of 0.50% per year on any unused portion of the incremental revolving credit facility through the maturity date. As of December 29, 2020, we had $50.0 million outstanding and $32.5 million of availability on the incremental revolving credit facility. This outstanding amount is included as current maturities of long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the $240.0 million of combined borrowings on our revolving credit facility as of December 29, 2020 was 1.98%. The weighted-average interest rate for the amended revolving credit facility as of December 31, 2019 was 2.64%.

The lenders' obligation to extend credit pursuant to the Amended Credit Agreement depends on us maintaining certain financial covenants. The amendment to the revolving credit facility also modified the financial covenants through the end of our Q1 2021 fiscal quarter. We were in compliance with all financial covenants as of December 29, 2020.

(6) Property and Equipment, Net

Property and equipment were as follows:

	December 29, 2020	December 31, 2019
Land and improvements	$ 143,482	$ 135,708
Buildings and leasehold improvements	1,003,014	922,036
Furniture, fixtures and equipment	661,878	614,920
Construction in progress	32,362	51,924
Liquor licenses	11,587	10,963
	1,852,323	1,735,551
Accumulated depreciation and amortization	(763,700)	(678,988)
	$ 1,088,623	$ 1,056,563

For the year ended December 29, 2020, the amount of interest capitalized in connection with restaurant construction was $0.3 million. There was no interest capitalized in connection with restaurant construction for the year ended December 31, 2019. For the year ended December 25, 2018, the amount of interest capitalized in connection with restaurant construction was $0.1 million.

(7) Goodwill and Intangible Assets

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

	Goodwill	Intangible Assets
Balance as of December 25, 2018 (1)	$ 123,220	$ 1,959
Additions	1,528	—
Amortization expense	—	(725)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 31, 2019	$ 124,748	$ 1,234
Additions	3,329	1,600
Amortization expense	—	(563)
Disposals and other, net	—	—
Impairment	(1,076)	—
Balance as of December 29, 2020	$ 127,001	$ 2,271

(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 29, 2020 were $16.6 million and $14.3 million, respectively. As of December 31, 2019, the gross carrying amount and accumulated amortization of the intangible assets was $15.4 million and $14.1 million, respectively. 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 $0.1 million to $0.8 million. As further discussed in note 16, as a result of our 2020 goodwill impairment analysis, we determined that goodwill related to two restaurants was impaired. Refer to note 4 for discussion of the

acquisitions completed for the years ended December 29, 2020 and December 31, 2019.

(8) Leases

We recognize right-of-use assets and lease liabilities for both real estate and equipment leases that have a term in excess of one year. As of December 29, 2020 and December 31, 2019, these amounts were as follows:

	As of December 29, 2020		
	Real estate	Equipment	Total
Operating lease right-of-use assets	$ 526,746	$ 3,879	$ 530,625
Current portion of operating lease liabilities	17,850	1,421	19,271
Operating lease liabilities, net of current portion	569,713	2,458	572,171
Total operating lease liabilities	$ 587,563	$ 3,879	$ 591,442

	As of December 31, 2019		
	Real estate	Equipment	Total
Operating lease right-of-use assets	$ 495,903	$ 3,898	$ 499,801
Current portion of operating lease liabilities	15,966	1,297	17,263
Operating lease liabilities, net of current portion	536,109	2,601	538,710
Total operating lease liabilities	$ 552,075	$ 3,898	$ 555,973

Information related to our real estate leases as of and for the fiscal year ended December 29, 2020 and December 31, 2019 was as follows (in thousands):

	Fiscal Year Ended	
Real estate costs	**December 29, 2020**	**December 31, 2019**
Operating lease	$ 58,425	$ 54,844
Variable lease	1,479	1,590
Short-term lease	90	120
Total lease costs	$ 59,994	$ 56,554

Real estate lease liability maturity analysis	**As of December 29, 2020**
2021	56,201
2022	57,225
2023	57,259
2024	57,353
2025	55,491
Thereafter	762,744
Total	$ 1,046,273
Less interest	458,710
Total discounted operating lease liabilities	$ 587,563

	Fiscal Year Ended	
Real estate leases other information	**December 29, 2020**	**December 31, 2019**
Cash paid for amounts included in measurement of operating lease liabilities	$ 52,904	$ 49,018
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 50,322	$ 51,220
Weighted-average remaining lease term (years)	17.78	17.82
Weighted-average discount rate	6.71	6.77

Operating lease payments exclude $15.1 million of minimum lease payments for executed real estate leases that we have not yet taken possession. In addition to the above operating leases, as of December 29, 2020 we had one finance lease with a right-of-use asset balance and lease liability balance of $1.7 million and $2.1 million, respectively. The right-of-use asset balance is included as a component of other assets and the lease liability balance as a component of other liabilities in the consolidated balance sheets.

In 2020, we entered into a sale leaseback transaction involving land that had recently been acquired. The sale generated proceeds of $2.2 million and no gain or loss was recognized on the transaction. The resulting operating lease is included in the operating lease right-of-use assets and lease liabilities noted above.

We recognize operating lease right-of-use assets and operating lease liabilities for real estate leases, including our restaurant leases and Support Center lease, as well as certain restaurant equipment leases based on the present value of the lease payments over the lease term. We estimate the present value based on our incremental borrowing rate which corresponds to the underlying lease term. In addition, operating lease right-of-use assets are reduced for accrued rent

and increased for any initial direct costs recognized at lease inception. For leases commencing in 2019 and later, we account for lease and non-lease components as a single lease component.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent over the lease term. For these leases, we recognize the related rent expense on a straight-line basis over the lease term. We may receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease which we consider when determining straight-line rent expense. We also may receive rent holidays, which would begin on the possession date and end when the store opens, 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. In recognizing straight-line rent expense, we record the difference between amounts charged to operations and amounts paid as accrued rent. Straight-line rent expense is included as an operating lease cost in the table above.

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. In addition, certain of our operating leases have variable escalations of the minimum rent that depend on an index or rate. For these leases, we recognize operating lease right-of-use assets and operating lease liabilities based on the index or rate at the commencement date. Any subsequent changes to the index or rate are recognized as variable rent expense when the escalation is determinable. Contingent rent and variable rent expense are included as variable lease costs in the table above.

Rent expense for operating leases for the fiscal year ended December 25, 2018 consisted of the following:

Minimum rent—occupancy	$ 47,741
Contingent rent	1,050
Rent expense, occupancy	48,791
Minimum rent—equipment and other	6,176
Rent expense	$ 54,967

(9) Income Taxes

Components of our income tax (benefit) expense for the years ended December 29, 2020, December 31, 2019 and December 25, 2018 are as follows:

	Fiscal Year Ended		
	December 29, 2020	December 31, 2019	December 25, 2018
Current:			
Federal	$ (648)	$ 15,643	$ 2,934
State	4,505	10,050	8,794
Foreign	403	369	210
Total current	4,260	26,062	11,938
Deferred:			
Federal	(16,859)	4,396	11,909
State	(3,073)	1,939	410
Total deferred	(19,932)	6,335	12,319
Income tax (benefit) expense	$ (15,672)	$ 32,397	$ 24,257

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 29, 2020, December 31, 2019 and December 25, 2018 is as follows:

	Fiscal Year Ended		
	December 29, 2020	December 31, 2019	December 25, 2018
Tax at statutory federal rate	21.0 %	21.0 %	21.0 %
State and local tax, net of federal benefit	3.6	3.8	3.6
FICA tip tax credit	(92.5)	(9.4)	(9.6)
Work opportunity tax credit	(12.4)	(1.5)	(1.5)
Stock compensation	(2.3)	(0.1)	(1.4)
Net income attributable to noncontrolling interests	(3.0)	(0.6)	(0.8)
Officers compensation	2.6	1.2	1.7
Other	1.6	0.7	(0.1)
Total	(81.4)%	15.1 %	12.9 %

Our effective tax rate was a benefit of 81.4% in 2020 compared to expense of 15.1% in 2019. This was primarily due to the impact of FICA tip and Work opportunity tax credits on lower pre-tax income. Additionally, these credits exceeded our federal tax liability in 2020 but we expect to utilize these credits in future years or by carrying back to our 2019 tax year.

Our effective tax rate increased to 15.1% in 2019 compared to 12.9% in 2018 primarily due to lower excess tax benefits related to our share-based compensation program partially offset by lower non-deductible officer compensation. In addition, the prior year tax rate benefitted from an adjustment related to tax reform that we recorded in conjunction with the filing of our 2017 tax return.

Components of deferred tax liabilities, net are as follows:

	December 29, 2020	December 31, 2019
Deferred tax assets:		
Deferred revenue—gift cards	$ 26,692	$ 16,122
Insurance reserves	5,998	4,774
Long-term deferred payroll taxes	5,995	—
Other reserves	705	601
Share-based compensation	5,621	5,510
Operating lease liabilities	146,803	137,744
Deferred compensation	12,778	10,503
Tax credit carryforwards	10,360	1,710
Other assets	2,119	2,482
Total deferred tax asset	217,071	179,446
Deferred tax liabilities:		
Property and equipment	(71,263)	(63,777)
Goodwill and intangibles	(6,896)	(6,241)
Operating lease right-of-use asset	(131,718)	(123,813)
Other liabilities	(9,996)	(8,310)
Total deferred tax liability	(219,873)	(202,141)
Net deferred tax liability	$ (2,802)	$ (22,695)

As of December 29, 2020, we have federal tax credit carryforwards of $10.2 million expiring in 2040 and state tax credit carryforwards of $0.2 million expiring in 2023. The federal tax credits include FICA tip and Work opportunity tax credits that exceeded credit limitations in the current year. We expect to generate sufficient earnings in future periods and/or may implement tax planning strategies that would allow us to fully utilize these credits. As such, we have not provided any valuation allowances for these credits, or any of our other deferred tax assets, as their realization 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 25, 2018	$ 1,482
Additions to tax positions related to prior years	16
Additions to tax positions related to current year	362
Reductions due to statute expiration	(314)
Reductions due to exam settlements	—
Balance at December 31, 2019	1,546
Additions to tax positions related to prior years	148
Additions to tax positions related to current year	389
Reductions due to statute expiration	(421)
Reductions due to exam settlement	—
Balance at December 29, 2020	$ 1,662

As of December 29, 2020 and December 31, 2019, 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 29, 2020 possess a December tax year-end. As a result, as of December 29, 2020, the tax years ended December 26, 2017, December 25, 2018 and December 31, 2019 remain subject to examination by all tax jurisdictions. As of December 29, 2020, 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 29, 2020, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 28, 2021.

(10) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 29, 2020 and December 31, 2019.

(11) Stockholders' Equity

On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to $250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases are determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

For the year ended December 29, 2020, we paid $12.6 million to repurchase 252,409 shares of our common stock. On March 17, 2020, we suspended all share repurchase activity. For the year ended December 31, 2019, we paid $139.8 million to repurchase 2,625,245 shares of our common stock. This includes repurchases of $89.6 million under the new

repurchase program and repurchases of $50.2 million under the previous stock repurchase program. We did not repurchase any shares of common stock during the year ended December 25, 2018. As of December 29, 2020, we had $147.8 million remaining under our authorized stock repurchase program.

(12) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average restricted stock units outstanding from our equity incentive plans. Performance stock units are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 14 for further discussion of our equity incentive plans. For the years ended December 29, 2020, December 31, 2019, and December 25, 2018, the shares of non-vested stock that were not included because they would have had an anti-dilutive effect were not significant.

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

	Fiscal Year Ended		
	December 29, 2020	December 31, 2019	December 25, 2018
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 31,255	$ 174,452	$ 158,225
Basic EPS:			
Weighted-average common shares outstanding	69,438	70,509	71,467
Basic EPS	$ 0.45	$ 2.47	$ 2.21
Diluted EPS:			
Weighted-average common shares outstanding	69,438	70,509	71,467
Dilutive effect of nonvested stock	455	407	497
Shares-diluted	69,893	70,916	71,964
Diluted EPS	$ 0.45	$ 2.46	$ 2.20

(13) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 29, 2020 and December 31, 2019 was $95.9 million and $119.0 million, respectively.

As of December 29, 2020 and December 31, 2019, we are contingently liable for $13.0 million and $13.9 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 29, 2020 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1)(2)	September 2002	February 2023
Longmont, Colorado (1)	October 2003	May 2029
Montgomeryville, Pennsylvania (1)	October 2004	March 2026
Fargo, North Dakota (1)	February 2006	July 2026
Logan, Utah (1)	January 2009	August 2024
Irving, Texas (3)	December 2013	December 2024
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 17, this restaurant is owned in part by our founder.
(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 29, 2020, 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.

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

(14) Share-based Compensation

On May 16, 2013, our stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the “Plan”). The Plan provides for the granting of various forms of equity awards including options, stock appreciation rights, full value awards, and performance based awards. This plan replaced the Texas Roadhouse, Inc. 2004 Equity Incentive Plan. The Company provides restricted stock units (“RSUs”) to employees as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. In addition to RSUs, the Company provides performance stock units (“PSUs”) to executives as a form of share-based compensation. A PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement. The following table summarizes the share-based compensation recorded in the accompanying consolidated statements of income and comprehensive income:

	Fiscal Year Ended		
	December 29, 2020	December 31, 2019	December 25, 2018
Labor expense	$ 10,081	$ 9,032	$ 8,463
General and administrative expense	19,350	26,468	25,520
Total share-based compensation expense	$ 29,431	$ 35,500	$ 33,983

Share-based compensation activity by type of grant as of December 29, 2020 and changes during the period then ended are presented below. For both RSUs and PSUs, we do not estimate forfeitures as we record them as they occur.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	836,427	$ 55.20		
Granted	501,575	57.43		
Forfeited	(25,204)	54.76		
Vested	(519,235)	55.60		
Outstanding at December 29, 2020	793,563	$ 56.37	0.9	$ 62,667

As of December 29, 2020, with respect to unvested RSUs, there was $19.2 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.9 years. The vesting terms of the RSUs range from 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the years ended December 29, 2020, December 31, 2019 and December 25, 2018 was $30.5 million, $27.8 million and $32.1 million, respectively. The excess tax benefit associated with vested RSUs for the years ended December 29, 2020, December 31, 2019 and December 25, 2018 was $0.4 million, $0.3 million and $1.9 million, respectively, which was recognized in the income tax provision.

Summary Details for PSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	77,000	$ 61.86		
Granted	79,000	55.98		
Incremental Performance Shares (1)	18,946	61.86		
Forfeited	—	—		
Vested	(95,946)	61.86		
Outstanding at December 29, 2020	79,000	$ 55.98	0.1	$ 6,238

(1) Additional shares from the January 2019 PSU grant that vested in January 2020 due to exceeding the initial 100% target.

We grant PSUs to certain of our executives subject to a one-year vesting and the achievement of certain earnings targets, which determine the number of units to vest at the end of the vesting period. Share-based compensation expense is recognized for the number of units expected to vest at the end of the period and is expensed beginning on the grant date and through the performance period. For each grant, PSUs vest after meeting the performance and service conditions. The total intrinsic value of PSUs vested during the years ended December 29, 2020, December 31, 2019 and December 25, 2018 was $5.4 million, $8.8 million and $8.9 million, respectively.

On January 8, 2021, 5,199 shares vested related to the January 2020 PSU grant and are expected to be distributed during the 13 weeks ending March 30, 2021. As of December 29, 2020, with respect to unvested PSUs, the amount of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.1 year was not

significant. There was no allowable excess tax benefit associated with vested PSUs for the years ended December 29, 2020 and December 31, 2019. The excess tax benefit associated with vested PSUs for the year ended December 25, 2018 was $0.7 million which was recognized within the income tax provision.

(15) Fair Value Measurement

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

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

There were no transfers among levels within the fair value hierarchy during the year ended December 29, 2020.

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

	Fair Value Measurements		
	Level	December 29, 2020	December 31, 2019
Deferred compensation plan—assets	1	$ 55,633	$ 44,623
Deferred compensation plan—liabilities	1	$ (55,614)	$ (44,679)

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.

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

	Fair Value Measurements			Total gain (loss) Fiscal Year Ended	
	Level	December 29, 2020	December 31, 2019	December 29, 2020	December 31, 2019
Long-lived assets held for sale	3	$ 1,645	$ —	$ (432)	$ —
Long-lived assets held for use	1	$ —	$ 1,684	$ (364)	$ 1,190
Operating lease right-of-use assets	3	$ —	$ 611	$ (413)	$ (1,144)
Goodwill	3	$ 2,625	$ —	$ (1,076)	$ —
Investments in unconsolidated affiliates	3	$ 1,531	$ —	$ (1,091)	$ —

Long-lived assets held for sale include land and building at a site that was relocated. These assets are included in prepaid expenses and other current assets in our consolidated balance sheets. These assets are valued using a Level 3 input, i.e., information from broker listings discounted for estimated selling costs. This resulted in a loss of $0.4 million which is included in impairment and closure, net in our consolidated statements of income and comprehensive income.

Long-lived assets held for use as of December 29, 2020 include leasehold improvements for one restaurant

scheduled to be relocated in 2021. These assets were reduced to a fair value of zero in 2020. This resulted in a loss of $0.4 million which is included in impairment and closure, net in our consolidated statements of income and comprehensive income. Long-lived assets held for use as of December 31, 2019 include leasehold improvements for one restaurant that was subject to a forced relocation. This restaurant was relocated in February 2020 at which time the contractually negotiated amount for these assets was received.

Operating lease right-of-use assets as of December 29, 2020 include the lease related assets for one restaurant that relocated in February 2020 and one restaurant scheduled to be relocated in 2021. These assets were reduced to a fair value of zero in 2020. This resulted in a loss of $0.4 million which is included in impairment and closure, net in our consolidated statements of income and comprehensive income. Operating lease right-of-use assets as of December 31, 2019, include the lease related assets for one store that was permanently closed in April 2020.

Goodwill includes two restaurants whose carrying values were determined to be in excess of their fair values as part of our annual goodwill impairment assessment. In determining the fair value, multiple valuation approaches were utilized which considered the historical results and anticipated future trends of operations for these restaurants. We consider this a Level 3 input. This resulted in a loss of $1.1 million which is included in impairment and closure, net in our consolidated statements of income and comprehensive income.

Investments in unconsolidated affiliates include a 40% equity interest in a China joint venture. This asset is valued using a Level 3 input, i.e., the amount we expect to receive upon the sale of this investment. This resulted in a loss of $1.1 million which is included in equity (loss) income from investments in unconsolidated affiliates in our consolidated statements of income and comprehensive income.

At December 29, 2020 and December 31, 2019, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. At December 29, 2020, the fair value of our revolving credit facility approximated its carrying value since it is a variable rate credit facility (Level 2).

(16) Impairment and Closure Costs

We recorded impairment and closure costs of $2.3 million, ($0.9) million and $0.3 million for the years ended December 29, 2020, December 31, 2019 and December 25, 2018.

Impairment and closure costs in 2020 included $1.2 million related to the impairment of the fixed assets and operating lease right-of-use assets at four restaurants, all of which have relocated or are scheduled to be relocated. In addition, in 2020, we recorded goodwill impairment of $1.1 million related to two restaurants.

Impairment and closure costs in 2019 included a gain of $2.6 million related to the forced relocation of one restaurant. This included a gain of $1.2 million related to the leasehold improvements and a gain of $1.4 million to settle a favorable operating lease. Also, in 2019, we recorded a charge of $1.1 million related to the impairment of the operating lease right-of-use asset at an underperforming restaurant. The remaining costs of $0.6 million related to costs associated with the relocation of restaurants.

Impairment and closure costs in 2018 were related to costs associated with the relocation of restaurants.

(17) Related Party Transactions

As of December 29, 2020, we had seven franchise restaurants and two majority-owned company restaurants owned in part by certain of our officers. These franchise entities paid us fees of $1.6 million for the year ended December 29, 2020. As of December 31, 2019 and December 25, 2018, we had six franchise restaurants and one majority-owned company restaurant owned in part by certain of our officers. These franchise entities paid us fees of $1.4 million and $1.3 million for the years ended December 31, 2019 and December 25, 2018, respectively. As discussed in note 13, we

are contingently liable on a lease related to one of these franchise restaurants.

On December 3, 2018, we acquired one franchise restaurant owned in part by our founder. This entity paid us fees of $0.1 million for the year ended December 25, 2018.

In addition, in 2018, our founder made a personal contribution of $1.0 million to cover a portion of the planned expenses incurred as part of the annual managing partner conference which marked our 25th anniversary. This amount was recorded as general and administrative expense on the consolidated statements of income and comprehensive income and as additional paid-in-capital on the consolidated statements of stockholders' equity.

(18) Selected Quarterly Financial Data (unaudited)

	2020				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Revenue	$ 652,524	$ 476,425	$ 631,185	$ 637,989	$ 2,398,123
Total costs and expenses	$ 636,734	$ 523,743	$ 596,209	$ 617,593	$ 2,374,279
Income (loss) from operations	$ 15,790	$ (47,318)	$ 34,976	$ 20,396	$ 23,844
Net income (loss) attributable to Texas Roadhouse, Inc. and subsidiaries	$ 16,029	$ (33,553)	$ 29,230	$ 19,549	$ 31,255
Basic earnings (loss) per common share	$ 0.23	$ (0.48)	$ 0.42	$ 0.28	$ 0.45
Diluted earnings (loss) per common share	$ 0.23	$ (0.48)	$ 0.42	$ 0.28	$ 0.45
Cash dividends declared per share	$ 0.36	$ -	$ -	$ -	$ 0.36

	2019				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Revenue	$ 690,608	$ 689,828	$ 650,489	$ 725,238	$ 2,756,163
Total costs and expenses	$ 630,163	$ 636,545	$ 605,605	$ 671,827	$ 2,544,140
Income from operations	$ 60,445	$ 53,283	$ 44,884	$ 53,411	$ 212,023
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 50,390	$ 44,845	$ 36,531	$ 42,686	$ 174,452
Basic earnings per common share	$ 0.70	$ 0.63	$ 0.53	$ 0.61	$ 2.47
Diluted earnings per common share	$ 0.70	$ 0.63	$ 0.52	$ 0.61	$ 2.46
Cash dividends declared per share	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 1.20

The fourth quarter of 2019 includes an estimated impact of $0.10 to $0.11 per diluted share for the 53rd week.

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2020 SUSTAINABILITY UPDATE

DEAR SHAREHOLDERS,

Our Corporate Sustainability mission is to make every community we serve better than we found it. Food, Community, Employees, and Conservation are the four pillars we focus on to make a difference in our local communities across the country every day.

While it's been three years since we first started highlighting our sustainability initiatives in the Annual Report, our Managing Partner model, which provides our Managing Partners with 10% of their restaurant profits, has been around since the beginning. This ownership mentality encourages our Managing Partners to reduce waste and conserve energy. Both of these efforts are better for the environment and also incentivize our Managing Partners to be sustainability champions (less waste = more money in their pockets).

In addition to the information shared in the Annual Report, we have continued our commitment to updating our Corporate Sustainability Report and meeting with the Board annually. Our Corporate Sustainability Report provides a more in-depth overview of our sustainability wins and shortfalls each year, which also holds us accountable. We last shared updates with our Board of Directors and Executive Team at the February 2021 Board Meeting. Having interest and support throughout our entire company – from the Board Room to our restaurants and throughout the Support Center – is what really makes the difference in growing our sustainability efforts for years to come.

As you know, 2020 brought many challenges to our industry with closed or limited-capacity dining rooms, PPE, and increased To-Go sales. A lot of things were turned upside down last year, but we remained focused on our sustainability pillars through taking care of our people, serving our communities, and upholding our commitments to our national sustainability partners.

Our Employee pillar remained strong last year as we came together as one family. We were able to keep our restaurants opened in some capacity and our Roadies working while focusing on safety protocols to keep guests and employees safe. Some examples of how we were able to take care of our employees included Kent donating his salary and contributing $5 million to our employee assistance fund, Andy's Outreach, showing true servant leadership and inspiring us all.

Also, in 2020, our Diversity and Inclusion Committee provided employee engagement opportunities for our Roadies through a number of virtual meetings. Nearly 600 Roadies participated in learning and education during the year, totaling more than 2,000 hours.

While continuing to meet the needs of our communities with legendary food, our stores still made community outreach a priority. Some examples included donating meals to frontline workers, feeding those in need, and finding other creative ways to give back. Despite many of our dining rooms being closed, we found a way to honor our nation's heroes on Veterans Day with drive-thru celebrations, giving out over 350,000 free meal vouchers. Last year we were also proud to raise $78,400 to benefit Homes For Our Troops and $52,000 for Camp Sunshine, two long-time non-profit partners we are honored to support.

In 2020, our conservation efforts also remained in place to positively impact the communities we serve. We continued our commitment to the Arbor Day Foundation's Community Tree Recovery campaign and hosted tree distribution events at locations across the country. These events make it possible for both our employees and our guests to get involved. Through our partnership with the Bee Conservancy, we were excited to support their Sponsor-a-Hive program, which places native bee homes and honey bee hives across the country. Last year, we also purchased a Water-On-Wheels system from our partners at WaterStep, which we will use to operate our restaurants following natural disasters. We have partnered with WaterStep since 2019 and together we are committed to making safe, clean drinking water more accessible around the world.

Additionally, we found creative ways to integrate sustainability into our stores. A new partnership was formed through BAC-D®, a vendor we partnered with to get more sustainable hand sanitizer stations in our stores. Nearly 100 stores across the country have these hand sanitizer stations, and a percentage of the proceeds are donated back to Ocearch, a non-profit organization committed to oceanic research and restoration. At Bubba's 33, we were able to add another more sustainable option in our stores when we rolled out a paper gift card and plan to make these cards an option for Texas Roadhouse in the future.

We've also focused on growing sustainability champions for our brand through social media and internal communications. Starting last year, we made it a point to integrate our sustainability efforts into our communications strategy with both our employees and guests. The feedback was extremely positive as we highlighted farmers, bees, the Arbor Day Foundation, and more. The education of sharing our efforts and providing opportunities for people to get involved inspires others to raise their hands and join us in this journey.

As we continued to grow our efforts and build champions, we did face many challenges in 2020. Our plans to test a uniform shirt made from recycled materials and composting at the Support Center café were put on hold due to other initiatives taking priority as we supported day-to-day operations through the pandemic. We look forward to revisiting these projects next year.

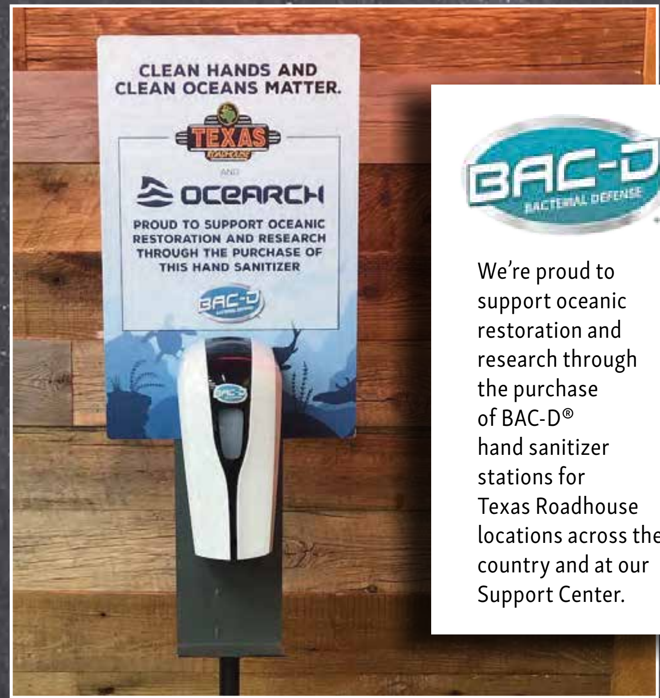
In 2021, we will continue to focus on opportunities for employees and guests to get involved in our conservation initiatives through tree distribution and other events, in-store promotions, and featuring sustainable items in our stores (ie., waterless toilets, recycled employee shirts, Ocearch hand sanitizer stations, etc). We are also eager to kick off our internal Environmental Social Governance (ESG) Committee with members from departments throughout the company. The goal of this committee is to learn, benchmark, and capture more of our wins as a company.

We are excited to continue to grow our sustainability efforts through building champions, providing opportunities, and learning more about current and future possibilities. To review our full 2020 Sustainability Report, visit our website at texasroadhouse.com/sustainability.

Travis Doster
Vice President of Communications

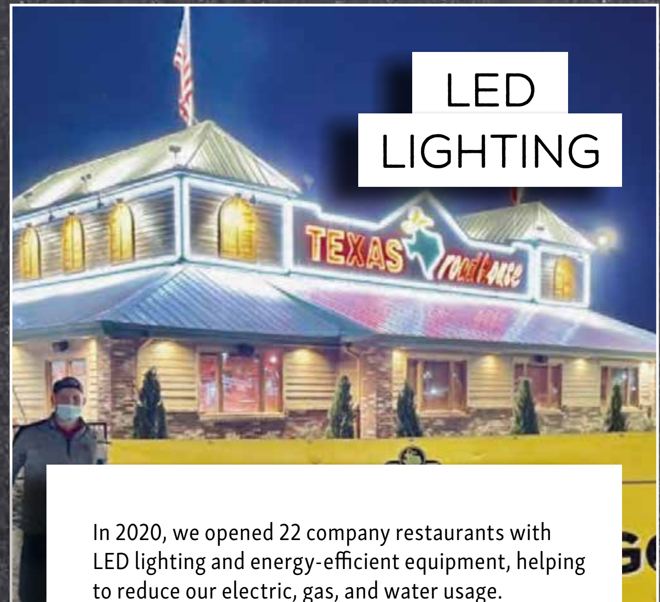
SUSTAINABILITY

WE MAKE IT **OUR MISSION** TO LEAVE EVERY COMMUNITY **BETTER THAN WE FOUND IT.**



We're proud to support oceanic restoration and research through the purchase of BAC-D® hand sanitizer stations for Texas Roadhouse locations across the country and at our Support Center.

Bees are responsible for pollinating one-third of the food we eat. We partner with the Bee Conservancy and support the Sponsor-a-Hive Program, which places native bee homes and honey bee hives in communities across the country to help bolster bee populations.



LED LIGHTING

In 2020, we opened 22 company restaurants with LED lighting and energy-efficient equipment, helping to reduce our electric, gas, and water usage.

PRESERVING RESOURCES THROUGH *Recycling*

TREES SAVED

68,384

GHG EMISSIONS SAVED

34,186

MTCO2E

WATER SAVED

39.89M

GAL

ELECTRICITY SAVED

19.21M

KW

BOARD OF DIRECTORS

CURTIS A. WARFIELD
CEO and President
Windham Advisors LLC

GREGORY N. MOORE
Former Senior Vice President and Controller
Yum! Brands, Inc.

JAMES R. ZARLEY
Former Chairman and CEO
Conversant, Inc.

KATHLEEN M. WIDMER
Group Chairman, Consumer North America
Johnson & Johnson

MICHAEL A. CRAWFORD
Chairman, CEO, and President
Hall of Fame Resort & Entertainment Co.

W. KENT TAYLOR
Founder, Chairman, and CEO
Texas Roadhouse, Inc.

SHAREHOLDER INFORMATION

SUPPORT CENTER
(Corporate Office)
6040 Dutchmans Lane, Louisville, KY 40205
(800) TEX-ROAD or (800) 839-7623

ANNUAL MEETING
Thursday, May 13, 2021
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 texasroadhouse.com. Please contact us by phone at (502) 426-9984 or by sending us an email to investment@texasroadhouse.com

INDEPENDENT AUDITORS
KPMG LLP
400 W. Market Street, Suite 2400, 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

RESTAURANT LOCATIONS
AS OF DECEMBER 29, 2020

TEXAS
ROADHOUSE