



2021 ANNUAL REPORT



**ONE TEAM  
ONE FAMILY**

**ONE *house***

## DEAR SHAREHOLDERS,

As our 2021 financial results showed, our operators once again delivered strong sales growth, which allowed us to grow profits. These results were despite the impact of the pandemic, some capacity restrictions at the beginning of the year as well as high inflation, continuation of staffing shortages, and increased supply chain disruptions.

Last year was also a very difficult time emotionally for our company as we dealt with the tragic loss of our founder, partner and friend, Kent Taylor on March 18, 2021.

Throughout our 29-year history, we have faced many obstacles and short-term issues, but the unexpected loss of our founder shook us to our core.

Although his loss was a shock, Kent left us very well prepared for the future. In fact, one thing Kent taught us over the years is that we are all “owners” in the business, and he instilled an ownership mentality that runs deep throughout the company. This mentality has and will continue to serve us well going forward.

Shortly before his death, Kent completed his book, “Made from Scratch,” which tells the Texas Roadhouse story. While he wrote the book for the world to learn more about Texas Roadhouse, I believe for Roadies, it’s our playbook for success so we can continue our winning ways for years to come.

As Kent spells out in his book, he taught operators how to be owners rather than managers. As a result of this ownership mentality, after Kent’s death, our operators rallied together to “Rock on for Kent” in 2021, delivering increases in traffic and sales, including an average of over \$1 million in To-Go sales per restaurant.

But, like Kent said many times, airplanes don’t have rearview mirrors because it’s more important to look forward. To that end, we think 2022 looks bright for all three brands as well as our retail initiatives.

For 2022, we plan to open approximately 21 Texas Roadhouse company locations and our franchise partners plan to open

as many as five restaurants. We continue to have success opening restaurants in smaller communities, such as Lufkin, Texas; Vincennes, Indiana; and Georgetown, Kentucky. As a result of this success, we have several more small-market restaurants slated for 2022.

Our international business continues to grow. We ended 2021 with 31 international locations in 10 countries and plan to add additional restaurants in 2022.

We are also continuing to relocate a number of older restaurants to new, larger locations with additional parking. Many of these locations were over 20 years old and were conversions or smaller prototypes. We continue to see a double-digit increase in sales at relocated restaurants and have plans to convert as many as six restaurants in 2022.

We are still making strides in technology with Roadhouse Pay, which is our pay-at-the-table system. Feedback from guests and employees has been very positive so far. We are seeing more efficient table turns and increased tip percentages. We just started the rollout of the system, and we expect to have Roadhouse Pay systemwide by this time next year. Just like with our app, the digital waitlist and Roadhouse Pay, we will continue to explore technology that enhances the guest experience.

In addition, we are also excited about the future of Bubba’s 33. We have new leadership in place with a renewed focus on the basics of food, service, and tightening up the menu. We are also working to take some cost out of the building, without impacting profitability. We ended 2021 with 36 total restaurants, and for 2022 we plan to open as many as four additional restaurants.



“Made from Scratch” becomes an instant WSJ bestseller



Pay-at-the-table launches with Roadhouse Pay



Jagers signs first franchise partner

## 2021 HIGHLIGHTS

Our newest concept, Jagers, continued its momentum in 2021 with the signing of our first two franchise partners. Both are well capitalized and have extensive franchising experience with a variety of brands. Both franchisees plan to open their first Jagers this year – one in North Carolina and one in Texas – and we expect to open two additional company restaurants later this year.

On the retail side, Texas Roadhouse Butcher Shop, which ships a variety of our legendary steaks directly to consumers' homes gained momentum this past year. We also expanded our retail presence through two licensing initiatives. Our signature Margarita Mixer is available in over 6,500 grocery and liquor stores across the country and our Margarita Cocktail Seltzer began an initial launch in select Colorado retailers. We will continue to focus on the growth of these products.

Ask most Roadies why they love working for Texas Roadhouse, and they will no doubt talk about our culture. Culture means a lot of things to different people, which is why it's so important that we continue to be laser focused on being the best place to work and an employer of choice. That is one of the reasons we promoted Gina Tobin, a former Managing Partner of the Year, to be the company's first Chief Learning and Culture Officer, where she now oversees Training, the Food Team, and our Diversity & Inclusion efforts. For the past 25 years, Gina has lived and breathed our culture as a Managing Partner, Market Partner, and most recently as Vice President of Training.

Following the retirement of our long-time Vice President of Legendary People, we promoted Patrick Sterling to VP of Legendary People. Patrick has more than 30 years of HR experience in the casual dining space, including 18 years at Texas Roadhouse, and

I have no doubt he will do a great job leading this team. I am pleased to announce that the People Department will now report to Chris Colson, our General Counsel.



We also expanded our Board of Directors with the addition of Donna Epps. Donna will serve on the Audit, Compensation, and Nominating and Corporate Governance committees. Donna has extensive audit, risk, and financial accounting experience as a result of her 30-plus years at Deloitte. Donna dove right in and went through store training at our Texas Roadhouse in Mesquite, Texas, and at Bubba's 33 in The Colony, Texas. Apparently, Donna is pretty good at measuring steaks!

I am honored to have also been appointed to the Board in June, and I am proud to bring 24 years of Texas Roadhouse operational and management experience to the boardroom.

Another significant part of what has made Texas Roadhouse thrive is our culture of recognition. While we were not able to host our annual Managing Partner Conference in early 2021, we were able to have a smaller Managing Partner Awards program in August. David Hollinger from Greenville, North Carolina, (G-Vegas), was named our 2019 Managing Partner of the Year. David has

a passion for his team, brand, and his guests that is unmatched. I was proud to present David his \$30,000 check and Managing Partner of the Year ring. Congratulations, David!

In addition, Brian Bauscher was named our 2019 Roadie of the Year. Brian is a 7-year Roadie and is a member of our Staff Accounting Team. Brian is a role model for the Texas Roadhouse core values of Passion, Partnership, Integrity, and Fun... All with Purpose. He also made one of the more memorable acceptance speeches at our Support Center Awards!

Since being named CEO, I have talked a lot about continuing this dance Kent started 29 years ago. We did that in 2021 and I am confident we will continue going forward because Kent showed us what I call "The Taylor Way," which includes the guiding principles that have shaped this company, such as Kent's Top 10; Kent's Top 15 Things Not to Screw Up; the Managing Partner Model; our mission statement of Legendary Food, Legendary Service®; and the Inverted Pyramid, just to name a few.

We also know The Taylor Way includes legendary people. In fact, as Kent so often said, "We are a people-first company that just happens to serve steak."

With legendary people who are committed to The Taylor Way, there are no limits to how far we can go.

**Let's go Roadhouse!**

Jerry Morgan  
President and CEO



Retail launch of  
Margarita Cocktail Seltzer



Gina Tobin named company's first  
Chief Learning and Culture Officer



Donna Epps joins our  
Board of Directors



“LEGENDARY FOOD,  
LEGENDARY SERVICE®”



April 1, 2022

To our Shareholders:

You are cordially invited to attend the 2022 Annual Meeting of Shareholders of Texas Roadhouse, Inc. (the “*Company*”) on Thursday, May 12, 2022. 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 2022 ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD MAY 12, 2022**

To our Shareholders:

The 2022 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 12, 2022 at 9:00 a.m. eastern daylight time.

At the Annual Meeting, you will be asked to:

- elect seven 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 2022 fiscal year;
- hold an advisory vote on executive compensation; 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 14, 2022 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 1, 2022

**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 2022 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2022: OUR ANNUAL REPORT CONTAINING OUR PROXY STATEMENT RELATED TO OUR 2022 ANNUAL MEETING OF SHAREHOLDERS AND FORM 10-K FOR THE FISCAL YEAR ENDED ON DECEMBER 28, 2021 IS AVAILABLE ON OUR WEBSITE AT [WWW.TEXASROADHOUSE.COM](http://WWW.TEXASROADHOUSE.COM) IN THE INVESTORS SECTION.**

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# PROXY STATEMENT

## 2022 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 12, 2022

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

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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 2022 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 1, 2022.

The Annual Meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 12, 2022 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

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#### 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 27, 2022 must be approved by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote “**FOR**” or “**AGAINST**” the ratification, or you may “**ABSTAIN**” from voting on this proposal. A vote to “**ABSTAIN**” will have the same effect as a vote “**AGAINST**” this proposal.

***THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THIS PROPOSAL.***

### **Proposal 3—Advisory Vote on Approval of Executive Compensation**

The outcome of the advisory vote on whether to approve the executive compensation detailed in this proxy statement (including the Compensation Discussion and Analysis, the Executive Compensation section and the other related executive compensation tables and related discussions) will be determined by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote “**FOR**” or “**AGAINST**” approval of the executive compensation, or you may “**ABSTAIN**” from voting on this proposal. A vote to “**ABSTAIN**” will have the same effect as a vote “**AGAINST**” approval of the executive compensation.

***THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THIS PROPOSAL.***

### **Other Matters**

As of the date of this proxy statement, the Board knows of no matters that will be presented for consideration at the Annual Meeting other than those matters discussed in this proxy statement. If any other matters should properly come before the Annual Meeting and call for a vote of shareholders, 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

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### 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 14, 2022. 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 69,119,769 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) and any other matters that may properly come before the Annual Meeting are also non-routine matters under the applicable rules so broker non-votes may

occur. Because broker non-votes do not count as shares entitled to vote, they do not affect the outcome of the vote on Proposal 3.

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

*Executed but Unmarked Proxies.* If no instructions are given, 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.

## CORPORATE GOVERNANCE AND OUR BOARD

### 2021 CORPORATE GOVERNANCE OVERVIEW

The following is an executive summary of our corporate governance activities for our 2021 fiscal year:

#### *Meetings*

We held 37 meetings of the Board and applicable committees comprised of (i) 8 meetings of the Board, (ii) 15 meetings of the audit committee, (iii) 8 meetings of the compensation committee, and (iv) 6 meetings of the nominating and corporate governance committee.

#### *New Board Members*

We welcomed 2 new members to the Board during our 2021 fiscal year. Gerald L. Morgan, the Company's Chief Executive Officer and President, was appointed to the Board on June 15, 2021 and Donna E. Epps, an independent director, was appointed to the Board on October 1, 2021.

#### *Board Composition*

The Board consists of seven directors – six of which 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 Securities and Exchange Commission. The following is a breakdown of committee membership and leadership:

- 1) Chairman of the Board: Gregory N. Moore
- 2) Audit Committee: Gregory N. Moore (Chair); Michael A. Crawford; Donna E. Epps; Curtis A. Warfield; Kathleen M. Widmer; and James R. Zarley
- 3) Compensation Committee: James R. Zarley (Chair); Michael A. Crawford; Donna E. Epps; Gregory N. Moore; Curtis A. Warfield; and Kathleen M. Widmer
- 4) Nominating and Corporate Governance Committee: Curtis A. Warfield (Chair); Michael A. Crawford; Donna E. Epps; Gregory N. Moore; Kathleen M. Widmer; and James R. Zarley

#### *Compensation Philosophy*

With respect to each non-employee director's 2021 fiscal year service, each non-employee director received a fixed cash amount for serving on the Board, together with additional compensation relating to leadership positions on the Board and/or on any Board committee as well as meeting attendance. Additionally, each non-employee director received 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.

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.

#### *Cap on Total Compensation*

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. This cap on Board total compensation is included in the Company's 2021 Long-Term Incentive Plan.

## Director Summaries

<p><b>Michael A. Crawford</b></p>	<p><b>Business Experience:</b></p>
<p><i>Director Since:</i> 2020</p> <p><i>Age:</i> 54</p> <p><b>Board Committees / Leadership:</b> Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee</p> <p><b>Public Boards:</b> Hall of Fame Resort &amp; Entertainment Company (NASDAQ: HOFV)</p>	<p>Mr. Crawford is currently serving as Chairman of the Board, President and Chief Executive Officer for Hall of Fame Resort &amp; 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 &amp; 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.</p>
	<p><b>Reason for Nomination:</b></p> <p>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.</p>

<p><b>Donna E. Epps</b></p>	<p><b>Business Experience:</b></p>
<p><i>Director Since:</i> 2020</p> <p><i>Age:</i> 57</p> <p><b>Board Committees / Leadership:</b> Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee</p> <p><b>Public Boards:</b> Saia, Inc. (NASDAQ: SAIA) Texas Pacific Land Corporation (NYSE: TPL)</p>	<p>Ms. Epps is a certified public accountant who previously served in various capacities at Deloitte LLP for over 31 years, including over 17 years of focus on providing attest services to private and public companies across industries including distribution, commercial and industrial products, energy, technology, and telecommunications. Following her retirement from Deloitte in 2017, Ms. Epps now serves as an independent director for Saia, Inc. (NASDAQ: SAIA), a transportation company providing regional and inter-regional, less than truckload services in 43 states, where she is a member of the Audit Committee and Nominating and Corporate Governance Committee. Ms. Epps also serves as an independent director for Texas Pacific Land Corporation (NYSE: TPL), one of the largest landowners in the state of Texas with approximately 900,000 acres of land located in 19 counties of West Texas, where she serves as Audit Committee Chairperson and is a member of the Nominating and Corporate Governance Committee.</p>
	<p><b>Reason for Nomination:</b></p> <p>Ms. Epps is being nominated as a non-employee director because of her extensive audit, risk, financial and accounting experience and her extensive board experience. As a result, Ms. Epps possesses particular knowledge and experience that strengthens the Board’s collective qualifications, skills and experience.</p>



<b>Gregory N. Moore</b>	<b>Business Experience:</b>
<p><i>Director Since:</i> 2005</p> <p><i>Age:</i> 72</p> <p><b>Board Committees / Leadership:</b>  Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee; Chairman of the Board; Chairperson of Audit Committee</p>	<p>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 &amp; Spirits International, a division of PepsiCola International. Before joining PepsiCo, he was an Audit Manager with Arthur Young &amp; 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 Commerce, Inc. (NASDAQ: NEGG), an on-line retailer specializing in computer and computer-related equipment and serves as the Chair of the Audit Committee, and serves on both of the Nominating and Corporate Governance and Compensation Committees.</p>
<p><b>Public Boards:</b>  Newegg Commerce, Inc. (NASDAQ: NEGG)</p>	<p><b>Reason for Nomination:</b></p> <p>Mr. Moore is being nominated as a non-employee director because of his extensive financial, accounting, and international experience as well as his 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.</p>

<b>Gerald L. Morgan</b>	<b>Business Experience:</b>
<p><i>Director Since:</i> 2021</p> <p><i>Age:</i> 61</p> <p><b>Board Committees / Leadership:</b>  Company's Chief Executive Officer and President</p> <p><b>Public Boards:</b>  None.</p>	<p>Mr. Morgan is a 24-year veteran of Texas Roadhouse and has 35 years of total foodservice experience, including with Bennigan's and Burger King. His career with Texas Roadhouse began in 1997 as Managing Partner in Grand Prairie, Texas, which was store number 26 and the first in Texas. Mr. Morgan was named Managing Partner of the Year in 2001, which is the company's highest recognition. Mr. Morgan was promoted to Market Partner in 2001, where he oversaw and grew operations in Texas and Oklahoma. In 2014, Mr. Morgan was awarded the Texas Roadhouse Legends Award at the Company's Managing Partner Conference. The following year, he was promoted to Regional Market Partner. Mr. Morgan was named President of Texas Roadhouse in 2020 and Chief Executive Officer in 2021.</p>
	<p><b>Reason for Nomination:</b></p> <p>Mr. Morgan is being nominated as an executive director because of his role as Chief Executive Officer of the Company, his knowledge of the restaurant industry and his in-depth knowledge of the Company. As a result of these and other professional experiences, Mr. Morgan possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills, and experience.</p>

<b>Curtis A. Warfield</b>	<b>Business Experience:</b>
<p><i>Director Since:</i> 2018</p> <p><i>Age:</i> 53</p> <p><b>Board Committees / Leadership:</b>  Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee;  Chairperson of Nominating &amp; Corporate Governance Committee</p> <p><b>Public Boards:</b>  Talkspace, Inc. (NASDAQ: TALK)</p>	<p>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. (NYSE: ANTM), 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. In 2020, Mr. Warfield joined the board of Talkspace, Inc. (NASDAQ: TALK), an online and mobile company which offers mental health treatment services. Mr. Warfield also joined the board of OneOncology, a company that invests in and collaborates with community oncology practices and serves as Chair of the Audit Committee.</p>
	<p><b>Reason for Nomination:</b></p> <p>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.</p>

<b>Kathleen M. Widmer</b>	<b>Business Experience:</b>
<p><i>Director Since:</i> 2013</p> <p><i>Age:</i> 60</p> <p><b>Board Committees / Leadership:</b>  Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee</p> <p><b>Public Boards:</b>  None.</p>	<p>Ms. Widmer is the Company Group Chairman for Consumer North America and Latin America with Johnson &amp; Johnson Consumer Health (NYSE: JNJ), a position she has held since December 2018. Prior to this position, she served as the President of the Johnson &amp; 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 &amp; 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 &amp; Johnson, she served as Executive Vice President and Chief Marketing Officer at Elizabeth Arden, Inc. (NASDAQ: RDEN), 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.</p>
	<p><b>Reason for Nomination:</b></p> <p>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.</p>

<b>James R. Zarley</b>	<b>Business Experience:</b>
<p><i>Director Since:</i> 2004</p> <p><i>Age:</i> 76</p> <p><b>Board Committees / Leadership:</b> Audit Committee, Compensation Committee, and Nominating &amp; Corporate Governance Committee; Chairperson of Compensation Committee</p> <p><b>Public Boards:</b> None.</p>	<p>Mr. Zarley 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. (NASDAQ: CNVF), 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.</p> <p><b>Reason for Nomination:</b></p> <p>Mr. Zarley is being nominated as a non-employee director because of his chief executive and information technology experience in developing industries, 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.</p>

## Meetings of the Board

The Board met on eight 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 28, 2021. 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 2021 annual meeting. Four regular Board meetings are currently scheduled for the 2022 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.* The Board consists of six independent directors and one executive director. Following the passing of W. Kent Taylor, the Company’s founder, and then Chairman of the Board and Chief Executive Officer of the Company, the Board named Gregory N. Moore as Chairman of the Board on March 19, 2021. 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 previously served as the Board’s Lead Independent 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](http://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. As more particularly described below, Mr. Morgan, the Company’s Chief Executive Officer, was appointed to the Board on June 15, 2021.

*Role of the Board and Management.* As more particularly described in our Corporate Governance Guidelines, the Company’s business is conducted by the officers and employees under the direction of the Chairman of the Company, and if there is no Chairman, then the Chief Executive Officer of the Company, and under the oversight of the Board. In connection with the same, the Board’s role is to enhance the long-term value of the Company for its shareholders. The Board is elected annually by the shareholders to oversee management and to ensure that the long-term interests of the shareholders are being served. In order to fulfill this obligation, the Board is responsible for helping establish broad corporate policies, setting strategic direction and overseeing the management of the Company.

*Risk Oversight.* In addition to the broad responsibilities described in the immediately preceding paragraph, 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 executes its oversight responsibility directly and through its committees, who regularly report back to the Board. 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 team 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).

As a part of our enterprise risk management process and under the oversight of the audit committee, the Company has formed a series of subject matter risk committees, that specialize in specific areas of risk previously identified by the Company, which regularly meet and report their activities to a risk committee team. The risk committee team, consisting of our Chief Financial Officer, General Counsel and Corporate Secretary, Vice President of Legendary People and Risk, and Vice President of Finance, meets regularly to identify key risk areas for the Company, including any new or emerging risks, and serves as a liaison between the subject matter risk committees and the executive risk committee described below. Additionally, the risk committee team conducts a periodic review of a risk register, including an in-depth focus on high priority risks, and periodically reviews such register with the audit committee. Finally, the Company has an executive risk committee consisting of members of the Company's leadership team which meet throughout the year to determine risk priorities and make decisions on key areas of risk.

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 2021, 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 at least 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 reviews 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 new store development, franchise acquisitions, retail or other business development initiatives, and the Company's share repurchase activities and dividend program (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 communities in which we serve. Our commitment is evident from our long history of dedication to corporate citizenship, diversity, and the manner in which we often consider corporate 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. The Company includes an update on some of these initiatives in the Company's Annual Report.

Additionally, the Company has established an internal risk committee to evaluate the Company's environmental, social and governance activities. This committee is comprised of members of management from the Company's legal, human resources, communications, procurement, finance and financial reporting functions. This committee works in conjunction with the Company's overall risk committee team.

In 2017, we released our initial corporate sustainability report which outlined our four core pillars of our corporate sustainability efforts: food, community, employees, and conservation. We strive to update our corporate sustainability report annually. The current report is available on the Company's website at [www.texasroadhouse.com](http://www.texasroadhouse.com). Unless specifically referenced in this proxy statement, the contents posted on, or accessible through, our website are not incorporated by reference into this proxy statement or any of our filings with the Securities and Exchange Commission (the "*SEC*") and may be revised by us (in whole or in part) at any time and from time to time.

## **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](http://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 previously designated one of its members as an International Liaison, which is elected annually by a majority of the Board. Mr. Moore served as the Board's International Liaison through the 2021 fiscal year; however, the Board elected not to appoint an International Liaison for the 2022 fiscal year. The Board reserves the right to designate one of its members as an International Liaison in the future pursuant to our Corporate Governance Guidelines.

*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 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 Mss. Epps and Widmer and Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Moore currently serves as the chairperson of the audit committee. The Board evaluated the credentials of and designated Ms. Epps and Messrs. Moore and Warfield as audit committee financial experts. The audit committee met 15 times during fiscal year 2021, 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 quarterly earnings release and filings with the SEC, and one special meeting 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, as well as performing the other duties and responsibilities described in its charter. 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 Mss. Epps and Widmer and Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Zarley currently serves as the chairperson of the compensation committee. The compensation committee met eight times during fiscal year 2021.

*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 to be elected by the Board to fill vacancies, including vacancies created by an increase in the authorized number of directors on the Board;

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

(v) periodically reporting to the Board the status of succession planning for senior management, including guidance regarding succession in the event of an emergency or the retirement of the executive officers and the identification and evaluation of potential successors to the executive officers and other members of senior management.

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 Mss. Epps and Widmer and Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Warfield currently serves as the chairperson of the nominating and corporate governance committee. The nominating and corporate governance committee met six times during fiscal year 2021.

### **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 15, 2021, the nominating and corporate governance committee recommended to the Board that the number of directors be increased by one and that Mr. Morgan, the Company's Chief Executive Officer and President, be appointed to the Board; the Board approved this recommendation. Mr. Morgan was appointed to the Board because of his role as Chief Executive Officer of the Company, his knowledge of the restaurant industry and his in-depth knowledge of the Company.

Additionally, on September 30, 2021, the nominating and corporate governance committee recommended to the Board that the number of directors be increased by one effective as of October 1, 2021 and that Ms. Epps be appointed to the Board as an independent director; the Board approved this recommendation. Ms. Epps was referred to the nominating and corporate governance committee by our corporate recruiter. Following her initial referral for service as a director, Ms. Epps 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 her appointment. Ms. Epps was nominated as a non-employee director because of her extensive audit, risk, financial and accounting experience arising from her over 31 years with Deloitte LLP and her extensive board experience.

As discussed above, the Board seeks 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 chart below illustrates the composition of our Board nominees by gender, racial diversity, tenure, and core skills:

<b>BOARD DIVERSITY MATRIX AS OF MARCH 1, 2022</b>				
<b>Total Number of Directors</b>	<b>7</b>			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose</b>
<b>Part 1: Gender Identity</b>				
<b>Directors</b>	<b>2</b>	<b>5</b>	<b>--</b>	<b>--</b>
<b>Part 2: Demographic Background</b>				
<b>African American or Black</b>	<b>--</b>	<b>1</b>	<b>--</b>	<b>--</b>
<b>Alaskan Native or Native American</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Asian</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Hispanic or Latinx</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Native Hawaiian or Pacific Islander</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>White</b>	<b>2</b>	<b>4</b>	<b>--</b>	<b>--</b>
<b>Two or More Races or Ethnicities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>LGBTQ+</b>	<b>--</b>			
<b>Did Not Disclose Demographics</b>	<b>--</b>			
	<b>1 – 5 Years</b>	<b>6 – 10 Years</b>	<b>&gt;10 Years</b>	
<b>Part 3: Tenure</b>				
<b>Directors</b>	<b>4</b>		<b>1</b>	<b>2</b>
	<b>Restaurant</b>	<b>Hospitality / Retail</b>	<b>Finance / Risk</b>	<b>Technology</b>
<b>Part 4: Core Skills</b>				
<b>Directors</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>2</b>

## 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 2021 for each of the non-employee directors.

<b>2021 Director Compensation Table</b>			
<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Grant Date Fair Value of Stock Awards \$(1)</b>	<b>Total (\$)</b>
<b>Michael A. Crawford</b>	50,500	182,206	232,706
<b>Donna E. Epps</b>	13,250	45,665(2)	58,915
<b>Gregory N. Moore</b>	183,750(3)	182,206	365,956
<b>Curtis A. Warfield</b>	55,000(4)	182,206	237,206
<b>Kathleen M. Widmer</b>	38,000	182,206	220,206
<b>James R. Zarley</b>	62,000(5)	182,206	244,206

- (1) In November 2019, the compensation committee and the Board elected to restructure the equity component for each non-employee director’s total compensation by shifting from a fixed number of service based restricted stock units to a fixed dollar amount of service based restricted stock units. Accordingly, the compensation committee and the Board agreed that with respect to each non-employee director’s 2021 fiscal year service, each received 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 (1), 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 \$79.22 for the grants to the non-employee directors on January 8, 2021. Using the formula described in the immediately foregoing paragraph of this footnote (1), each non-employee director (other than Ms. Epps) was granted 2,300 service based restricted stock units for their respective 2021 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 14 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 28, 2021. 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 2021 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, 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. This cap on Board total compensation is included in the Company’s 2021 Long-Term Incentive Plan.

- (2) Upon Ms. Epps’s appointment to the Board on September 30, 2021 with an effective date of October 1, 2021, she was granted 500 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, 2021 as described in footnote (1) above. The fair value is equal to the closing price of the Company’s common stock on the trading day immediately preceding the grant, which was \$91.33 for the grant to Ms. Epps on October 1, 2021.

- (3) This amount includes the prorated portion of the \$20,000 annual fee for serving as the Lead Independent director until March 31, 2021, the prorated portion of the \$45,000 annual fee for serving as the Chairman of the Board commencing on March 31, 2021, the \$20,000 annual fee for serving as the chairperson of the audit committee, and the \$70,000 annual fee for serving as the International Liaison.
- (4) This amount includes the \$8,000 annual fee for serving as the chairperson of the nominating and corporate governance committee.
- (5) This amount includes the \$10,000 annual fee for serving as the chairperson of the compensation committee.

The compensation committee established that all non-employee directors would receive the following cash compensation relating to their 2021 fiscal year service:

- (i) each non-employee director received a base fee of \$25,000;
- (ii) the Chairman of the Board (if an independent director) received a fee of \$45,000;
- (iii) the Lead Independent director received a fee of \$20,000;
- (iv) the chairperson of the audit committee received a fee of \$20,000;
- (v) the chairperson of the compensation committee received a fee of \$10,000;
- (vi) the International Liaison received a fee of \$70,000;
- (vii) the chairperson of the nominating and corporate governance committee received a fee of \$8,000;
- (viii) each non-employee director received \$2,000 for each Board meeting he or she attended in person and \$500 for each Board meeting he or she participated in telephonically; and
- (ix) each non-employee director received \$1,000 for each committee meeting he or she attended in person and \$500 for each committee meeting he or she participated in telephonically.

Additionally, on November 11, 2021, the compensation committee established that all non-employee directors will receive the following cash and stock compensation relating to their 2022 fiscal year service:

- (i) each non-employee director will receive a base fee of \$35,000;
- (ii) the Chairman of the Board will receive a fee of \$50,000;
- (iii) the chairperson of the audit committee will receive a fee of \$25,000;
- (iv) the chairperson of the compensation committee will receive a fee of \$10,000;
- (v) the chairperson of nominating and corporate governance committee will receive a fee of \$10,000;
- (vi) each member of the audit committee will receive a fee of \$10,000;
- (vii) each member of the compensation committee will receive a fee of \$7,000;
- (viii) each member of the nominating and corporate governance committee will receive a fee of \$7,000;
- (ix) the non-employee directors will no longer receive a fee for meeting attendance;

- (x) the Chairman of the Board will receive an annual grant of restricted stock units equal to \$290,000 divided by the closing sales price on January 7, 2022 on the Nasdaq Global Select Market, with such quotient rounded up or down to the nearest 100 shares. These restricted stock units were granted on January 8, 2022 and will vest on January 8, 2023; and
- (xi) each remaining non-employee director will receive an annual grant of restricted stock units equal to \$200,000 divided by the closing sales price on January 7, 2022 on the Nasdaq Global Select Market, with such quotient rounded up or down to the nearest 100 shares. These restricted stock units were granted on January 8, 2022 and will vest on January 8, 2023.

## **Code of Conduct**

*Company 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. We are committed to Passion, Partnership, Integrity and Fun... All with Purpose! The Code of Conduct is our guide as we apply these core values in our treatment of our fellow employees and how we run our business. Our Code of Conduct also encompasses our principles and practices relating to the ethical conduct of the Company's business and commitment to complying with all laws affecting the Company's business.

We take all reported concerns or possible violations of our Code of Conduct seriously and will promptly and thoroughly investigate each reported concern as confidentially as possible. The Code of Conduct establishes three separate ways in which any person may submit confidential and anonymous reports of suspected or actual violations of the Code of Conduct. If an individual files a report, then the concerns will be directed to the appropriate personnel for investigation. We do not retaliate against any person who raises questions, reports concerns, or who participates in an investigation related to the Code of Conduct.

The Code of Conduct is available in its entirety on the Company's website at [www.texasroadhouse.com](http://www.texasroadhouse.com). The Company will post on its website any amendments to, or waivers from, its Code of Conduct, if any, that apply to the principal executive officer, the principal financial officer, principal accounting officer or controller, or persons performing similar functions.

*Vendor Expectations.* In addition to the Company's Code of Conduct, the Company has established vendor expectations outlining our standards regarding our relationship with our vendors, including the manner in which our vendors conduct their business, the manner in which they treat their employees, and our expectation that our vendors will comply with all applicable laws and regulations relating to their business operations. Our Vendor Expectations are available in their entirety on the Company's website at [www.texasroadhouse.com](http://www.texasroadhouse.com).

## **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 established time frame.

## **Succession Planning**

The Board and the Company recognize the importance of continuity of leadership to ensure a smooth transition for its employees, guests, 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 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 they are not 80 years or older at the time of such re-election.

## STOCK OWNERSHIP INFORMATION

The following table sets forth as of March 8, 2022 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.

<u>Name</u>	<u>Common Stock(1)</u>	
	<u>Common Stock Ownership</u>	<u>Percent</u>
<b>Directors, Nominees and Named Executive Officers:</b>		
W. Kent Taylor(2)	12,352	*
Michael A. Crawford	4,200	*
Christopher C. Colson	3,745	*
Donna E. Epps	500	*
S. Chris Jacobsen	23,449	*
Gregory N. Moore	66,850	*
Gerald L. Morgan	91,174	*
Hernan E. Mujica	15,704	*
Tonya R. Robinson	13,696	*
Doug W. Thompson(3)	51,802	*
Gina A. Tobin	7,588	*
Curtis A. Warfield	12,300	*
Kathleen M. Widmer	15,520	*
James R. Zarley	98,243	*
<b>Directors and All Executive Officers as a Group (14 Persons)</b>	417,123	0.6%
<b>Other 5% Beneficial Owners**</b>		
Blackrock, Inc.(4) 55 East 52nd Street New York, New York 10022		10.8%
The Vanguard Group(5) 100 Vanguard Boulevard Malvern, Pennsylvania 19355		9.76%
Melvin Capital Management LP(6) 535 Madison Avenue, 22nd Floor New York, New York 10022		9.9%

\* 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, 2022.

(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, 2022, 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. The stock ownership information listed above was provided to the Company by the Estate of Mr. Taylor.
- (3) Doug W. Thompson retired as Chief Operating Officer of the Company effective as of November 29, 2021. The stock ownership information listed above was provided to the Company by Mr. Thompson.
- (4) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on January 28, 2022, it has sole voting power with respect to 7,429,831 shares and sole dispositive power with respect to 7,541,591 shares.
- (5) As reported on the Schedule 13G/A filed by The Vanguard Group with the SEC on February 10, 2022, it has shared voting power with respect to 131,643 shares, sole dispositive power with respect to 6,602,114 shares, and shared dispositive power with respect to 193,244 shares.
- (6) As reported on the Schedule 13G/A filed by Melvin Capital Management LP with the SEC on February 14, 2022 it has shared voting power with respect to 6,900,000 shares and shared dispositive power with respect to 6,900,000 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 28, 2021, with the exception of a Form 4 for Mr. Morgan that was filed on March 11, 2021 relating to the acquisition of 1,250 service based restricted stock units received by Mr. Morgan on February 24, 2021 relating to his Q4 2020 service prior to his appointment to President.

## EXECUTIVE COMPENSATION

### 2021 EXECUTIVE SUMMARY

The following is an executive summary of our compensation program for our 2021 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 may 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. 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 established time frame.

#### *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. Pursuant to its charter, the compensation committee may, in its sole discretion, retain or obtain advice from a compensation consultant to assist in the establishment of executive compensation for each Named Executive Officer.

#### *2021 Employment Agreements*

As more particularly described below, the Company and the Named Executive Officers have entered into new 2021 Employment Agreements at the beginning of fiscal year 2021. 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.



### *2022 Executive Compensation*

During 2021 and pursuant to the authority granted under its charter, the compensation committee engaged FW Cook as an independent compensation consultant to advise the compensation committee on compensation for the executive officers beginning with the 2022 fiscal year, together with analysis and services related to such executive compensation. Specifically, the compensation committee asked the consultant to provide market data, review the design of the executive compensation packages, and provide guidance on cash and equity compensation for the Company's executive officers. Based in part on the recommendation of our third party compensation consultant and the review of the market data provided to the compensation committee, the total compensation package established for each Named Executive Officer for their respective 2022 fiscal year service reflected a shift in the compensation breakdown among the base salary, bonus and equity components to a more weighted emphasis on non-equity compensation as well as a shift from a fixed number of service based restricted stock units and/or performance based restricted stock units to a fixed dollar amount with respect to such service based restricted stock units. FW Cook does not currently provide any other services to the Company, and the compensation committee has determined that FW Cook has sufficient independence from us and our executive officers to allow FW Cook to offer objective information and/or advice.

### *Clawback Policy*

The Company has established a clawback policy whereby the Company may recover excess Incentive Compensation (as hereinafter defined) following any of the following: (i) a restatement of the Company's financial statements for the fiscal year in which the Incentive Compensation is paid due to material noncompliance with any financial reporting requirement under applicable securities laws; (ii) in the absence of a restatement of the Company's financial statements described in clause (i) above, the prior financial results which formed the basis for the calculation of such Incentive Compensation are corrected or adjusted for the relevant fiscal year; or (iii) the compensation committee determines that a Named Executive Officer inadvertently received an excess amount of Incentive Compensation for the relevant fiscal year. In such an event, the compensation committee may seek recovery of such excess Incentive Compensation from the applicable Named Executive Officer through a credit against prior Incentive Compensation payments, a credit from future payments of Incentive Compensation, cancellation of outstanding equity awards, withholding from future equity awards, and/or direct repayment by the applicable Named Executive Officer. If requested by the compensation committee, the applicable Named Executive Officer shall be required to reimburse the Company for such excess Incentive Compensation within sixty (60) days following written demand from the compensation committee.

## **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.

### Initial Executive Compensation Under 2021 Employment Agreements.

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 passing. Mr. Morgan remains the President of the Corporation following his appointment to Chief Executive Officer. In order to memorialize Mr. Morgan's appointment to Chief Executive Officer, the Company entered into an amendment to Mr. Morgan's 2021 employment agreement on March 31, 2021 and having a retroactive effective date of March 18, 2021. We also entered into an employment agreement with Christopher C. Colson, a Named Executive Officer, on March 31, 2021 in connection with his appointment to General Counsel. Additionally, on June 15, 2021, we entered into employment

agreements with Gina A. Tobin and Hernan E. Mujica, each a Named Executive Officer, upon Ms. Tobin’s appointment to Chief Learning and Culture Officer and Mr. Mujica’s designation as a named executive officer, respectively. As used herein, the employment agreements, as amended (as and if applicable), with Messrs. Taylor, Morgan, Jacobsen, Thompson, Colson, and Mujica and Mss. Robinson and Tobin 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 has an initial term expiring on January 7, 2024 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. As more particularly described below, on December 3, 2021, the Company entered into a Separation Agreement and Release of Claims (the “**Thompson Separation Agreement**”) with Mr. Thompson relating to Mr. Thompson’s retirement as Chief Operating Officer of the Company effective as of November 29, 2021.

To assist in setting compensation under the prior employment agreements for the applicable Named Executive Officers 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:

PEER COMPANIES		
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	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 for their respective 2021 fiscal year service, 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 the initial 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 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 and 2022 year service, respectively. Additionally, certain Named Executive Officers have received grants of performance based restricted stock units relating to their 2021 year service and 2022 year service, respectively. Finally, while the Company previously granted retention grants for our Named Executive Officers under their 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.

Under 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. Additionally, the 2021 Employment Agreements include certain confidentiality, non-solicitation, and non-disparagement provisions. Finally, 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 Company has established a clawback policy whereby the Company may recover excess Incentive Compensation following any of the following: (i) a restatement of the Company’s financial statements for the fiscal year in which the Incentive Compensation is paid due to material noncompliance with any financial reporting requirement under applicable securities laws; (ii) in the absence of a restatement of the Company’s financial statements described in clause (i) above, the prior financial results which formed the basis for the calculation of such Incentive Compensation are corrected or adjusted for the relevant fiscal year; or (iii) the compensation committee determines that a Named Executive Officer inadvertently received an excess amount of Incentive Compensation for the relevant fiscal year. In such an event, the compensation committee may seek recovery of such excess Incentive Compensation from the applicable Named Executive Officer through a credit against prior Incentive Compensation payments, a credit from future payments of Incentive Compensation, cancellation of outstanding equity awards, withholding from future equity awards, and/or direct repayment by the applicable Named Executive Officer. If requested by the compensation committee, the applicable Named Executive Officer shall be required to reimburse the Company for such excess Incentive Compensation within sixty (60) days following written demand from the compensation committee. For the purposes of the clawback policy, the term “*Incentive Compensation*” means (a) the amount of (or payment or value received with respect to) a Named Executive Officer’s annual incentive awards under the Company’s cash bonus plan (as the same may be amended); (ii) the amount of performance based restricted stock units granted (or vested) to a Named Executive Officer pursuant to the Company’s 2021 Long-Term Incentive Plan (or any successor equity plan); and (iii) any other incentive-based compensation paid or payable to a Named Executive Officer with respect to any Company plan or agreement (as and if applicable).

Executive Compensation Starting With 2022 Fiscal Year.

During 2021 and pursuant to the authority granted under its charter, the compensation committee engaged FW Cook as an independent compensation consultant to advise the compensation committee on compensation for the executive officers beginning with the 2022 fiscal year, together with analysis and services related to such executive compensation. Specifically, the compensation committee asked the consultant to provide market data, review the design of the executive compensation packages, and provide guidance on cash and equity compensation for the Company’s executive officers. As a part of this review, the chairperson of the compensation committee, the independent compensation consultant and management of the Company agreed on a list of the following 15 peer companies to evaluate their executive compensation:

PEER COMPANIES		
BJ’s Restaurants, Inc.	Bloomin Brands, Inc.	Brinker International, Inc.
Chipotle Mexican Grill, Inc.	Cracker Barrel Old Country Store, Inc.	Darden Restaurants, Inc.
Dave & Buster’s Entertainment, Inc.	Denny’s Corporation	Dine Brands Global, Inc.
Jack in the Box Inc.	Papa John’s International, Inc.	Red Robin Gourmet Burgers, Inc.
Ruth’s Hospitality Group, Inc.	The Cheesecake Factory Incorporated	The Wendy’s Company

Based in part on the recommendation of our third party compensation consultant and the review of the market data provided to the compensation committee, the total compensation package established for each Named Executive Officer for their respective 2022 fiscal year service reflected a shift in the compensation breakdown among the base salary, bonus and equity components to a more weighted emphasis on non-equity compensation as well as a shift from a fixed number of service based restricted stock units and/or performance based restricted stock units to a fixed dollar amount with respect to such service based restricted stock units. FW Cook does not currently provide any other services to the Company, and the compensation committee has determined that FW Cook has sufficient independence from us and our executive officers to allow FW Cook to offer objective information and/or advice.

As relevant, the chart below illustrates the difference in target compensation breakdown by Named Executive Officer for the 2021 fiscal year compared with the 2022 fiscal year:

TARGET COMPENSATION BREAKDOWN						
Named Executive Officer	2021			2022		
	Base Salary	Bonus	Equity (1)	Base Salary	Bonus	Equity
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	8%	8%	84%	--	--	--
<b>Gerald L. Morgan</b> Chief Executive Officer, President	15%	11%	74%	24%	24%	52%
<b>Doug W. Thompson</b> Former Chief Operating Officer	14%	14%	72%	--	--	--
<b>Tonya R. Robinson</b> Chief Financial Officer	20%	14%	66%	28%	22%	50%
<b>S. Chris Jacobsen</b> Chief Marketing Officer	21%	14%	65%	29%	24%	47%
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	26%	15%	59%	36%	28%	36%
<b>Hernan E. Mujica</b> Chief Information Officer	25%	14%	61%	36%	28%	36%
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	31%	10%	59%	36%	28%	36%

- (1) For the purposes of calculating the percentage compensation relating to the equity components for the 2021 fiscal year, a \$90 share price was utilized for shares of service based restricted stock units and/or performance based restricted stock units granted to each Named Executive Officer for their respective 2021 fiscal year service.

#### Summary of Executive Compensation

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. Additionally and 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. Moreover, 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 93% of the votes cast at our 2021 annual meeting on an advisory basis approved the compensation of our Named Executive Officers as disclosed in the proxy statement for the 2021 annual meeting. None of the Named Executive Officers, including Mr. Morgan, 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 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 for 2021. During the term of the respective 2021 Employment Agreement, base salary increases are at the discretion of the compensation committee. In furtherance of the foregoing and effective as of January 8, 2022 and continuing thereafter until such time as a Named Executive Officer’s annual base salary is adjusted by the compensation committee in accordance with the applicable 2021 Employment Agreement, the compensation committee adjusted the annual base salary for each Named Executive Officer as shown in the table below.

<b>Named Executive Officer Base Salary Under 2021 Employment Agreement</b>		
	<b>2021</b> <b>(starting January 8, 2021)</b> <b>(\$)(1)</b>	<b>2022</b> <b>(starting January 8, 2022)</b> <b>(\$)</b>
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	525,000	--(2)
<b>Gerald L. Morgan</b> Chief Executive Officer, President(3)	350,000	1,000,000
<b>Doug W. Thompson</b> Former Chief Operating Officer	450,000	--(4)
<b>Tonya R. Robinson</b> Chief Financial Officer	325,000	500,000
<b>S. Chris Jacobsen</b> Chief Marketing Officer	325,000	500,000
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	350,000	500,000
<b>Hernan E. Mujica</b> Chief Information Officer	350,000	500,000
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	350,000	500,000

(1) After evaluating the anticipated impact that the COVID-19 pandemic may have 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) As described above, Mr. Taylor passed away on March 18, 2021 so no changes were made to Mr. Taylor's base salary.
  - (3) 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.
  - (4) As described above, Mr. Thompson retired as the Chief Operating Officer for the Company on November 29, 2021 so no changes were made to Mr. Thompson's base salary.

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 2021 Employment Agreements 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 1.75% 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 2021 were paid at 187.9% 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 an increase in actual EPS of 682.5% and an actual Profit Sharing Pool of \$4,273,076 calculated on fiscal year 2021 pre-tax profit of \$284,871,733. Note that due

primarily to the adverse impact of the pandemic, cash incentive bonuses with respect to fiscal year 2020 were paid at 6.58% of the total target amounts.

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. 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. The actual amounts earned by each Named Executive Officer for fiscal year 2021 are more fully described in “Executive Compensation.”

<b>Executive Incentive Compensation for Fiscal Year 2021</b>			
	<b>Target Bonus (\$)(1)</b>	<b>Minimum Bonus (\$)</b>	<b>Maximum Bonus (\$)</b>
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	525,000	0	1,050,000
<b>Gerald L. Morgan(2)</b> Chief Executive Officer, President	350,000	0	700,000
<b>Doug W. Thompson</b> Former Chief Operating Officer	480,000	0	960,000
<b>Tonya R. Robinson</b> Chief Financial Officer	200,000	0	400,000
<b>S. Chris Jacobsen</b> Chief Marketing Officer	200,000	0	400,000
<b>Christopher C. Colson(3)</b> General Counsel, Corporate Secretary	200,000	0	400,000
<b>Hernan E. Mujica(3)</b> Chief Information Officer	200,000	0	400,000
<b>Gina A. Tobin(3)</b> Chief Learning and Culture Officer	120,000	0	240,000

- (1) After evaluating the anticipated impact that the COVID-19 pandemic may have 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 was 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 was 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 was 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.

- (3) With respect to Messrs. Colson and Mujica and Ms. Tobin, the target bonus amounts and maximum bonus amounts listed in the table above relate to the portion of their respective 2021 fiscal year service in which each served as a named executive officer.

Additionally, on December 6, 2021, the compensation committee established an annual short-term cash incentive opportunity with a target bonus as set forth in the table below relating to each Named Executive Officer's 2022 fiscal year service. The performance criteria and terms of bonus awards are at the discretion of the compensation committee. As more particularly described above, the compensation committee continued its two pronged approach with 50% of the target incentive bonus being based on whether the Company achieves an annual EPS growth target of 10% and the remaining 50% being based on a profit sharing pool comprised of 1.75% 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). 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.

<b>Executive Incentive Compensation for Fiscal Year 2022</b>			
	<b>Target Bonus (\$)</b>	<b>Minimum Bonus (\$)</b>	<b>Maximum Bonus (\$)</b>
<b>Gerald L. Morgan</b> Chief Executive Officer, President	1,000,000	0	2,000,000
<b>Tonya R. Robinson</b> Chief Financial Officer	400,000	0	800,000
<b>S. Chris Jacobsen</b> Chief Marketing Officer	400,000	0	800,000
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	400,000	0	800,000
<b>Hernan E. Mujica</b> Chief Information Officer	400,000	0	800,000
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	400,000	0	800,000

Stock Awards. We make equity awards in the form of restricted stock units, which represent the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements. Restricted stock units offer the Named Executive Officers a financial interest in the Company and align their interests with those of our shareholders. We also believe that the market price of our publicly traded common stock represents the most appropriate metric for determining the value of the equity portion of our Named Executive Officers' compensation packages. The overall compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts and feature restricted stock unit awards. While the initial grant of restricted stock unit awards is based on a fixed dollar amount starting with the 2022 fiscal year, as opposed to a fixed number of restricted stock units for prior year service, the ultimate value of the restricted stock unit awards is dependent upon the performance of the Company and the price of our common stock at the time such restricted stock units vest. 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 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 large 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. While the Company previously granted retention grants for our Named Executive Officers under their respective prior 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 2021 Employment Agreements for Messrs. Taylor, Morgan, Thompson, Jacobsen, Colson, and Mujica and Mss. Robinson and Tobin 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 1.75% 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 2021 were paid at 187.9% 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 an increase in actual EPS of 682.5% and an actual Profit Sharing Pool of \$4,273,076 calculated on fiscal year 2021 pre-tax profit of \$284,871,733. 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. 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 with respect to each Named Executive Officer's 2021 fiscal year service and are subject to the Named Executive Officer still serving the Company on the vesting date.

## Service Based Restricted Stock Units for 2021 Fiscal Year

	Number of Service Based Restricted Stock Units vesting on January 8, 2022 pursuant to 2021 Employment Agreements
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	10,000
<b>Gerald L. Morgan</b> Chief Executive Officer, President	10,000(1)
<b>Doug W. Thompson</b> Former Chief Operating Officer	10,000(2)
<b>Tonya R. Robinson</b> Chief Financial Officer	10,000
<b>S. Chris Jacobsen</b> Chief Marketing Officer	7,000
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	7,500(3)
<b>Hernan E. Mujica</b> Chief Information Officer	4,750(4)
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	4,500(5)

- (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. These shares are in addition to 1,250 service based restricted stock units granted to Mr. Morgan on February 24, 2021 and scheduled to vest on February 24, 2022 relating to his Q4 2020 service.
- (2) As previously described, Mr. Thompson retired as Chief Operating Officer of the Company on November 29, 2021. Upon his retirement, Mr. Thompson forfeited his right to receive the 10,000 service based restricted stock units relating to his 2021 fiscal year service vesting on January 8, 2022.
- (3) These service restricted stock units granted to Mr. Colson are in addition to (i) the 1,125 service based restricted stock units granted on February 24, 2021 and scheduled to vest on February 24, 2022 relating to his Q4 2020 service, and (ii) the 1,125 service based restricted stock units granted on May 5, 2021 and scheduled to vest on May 5, 2022 relating to his Q1 2021 service.
- (4) These service restricted stock units granted to Mr. Mujica are in addition to (i) the 2,375 service based restricted stock units granted on February 24, 2021 and scheduled to vest on February 24, 2022 relating to his Q4 2020 service, (ii) the 2,375 service based restricted stock units granted on May 5, 2021 and scheduled to vest on May 5, 2022 relating to his Q1 2021 service, and (iii) the 2,375 service based restricted stock units granted on August 4, 2021 and scheduled to vest on August 4, 2022 relating to his Q2 2021 service.
- (5) These service restricted stock units granted to Ms. Tobin are in addition to (i) the 1,000 service based restricted stock units granted on February 24, 2021 and scheduled to vest on February 24, 2022 relating to her Q4 2020 service, (ii) the 1,500 service based restricted stock units granted on May 5, 2021 and scheduled to vest on May 5, 2022 relating to her Q1 2021 service, and (iii) the 1,500 service based restricted stock units granted on August 4, 2021 and scheduled to vest on August 4, 2022 relating to her Q2 2021 service.

Additionally, on December 6, 2021, the compensation committee authorized the grant of service based restricted stock units under each 2021 Employment Agreement equal to the dollar amount described in the table below for each Named Executive Officer with respect to their 2022 fiscal year service. These service based restricted stock units were calculated by dividing the dollar amount described in the table below by the per share 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, which such quotient rounded up or down to the nearest 100 shares. Additionally, these shares were granted on January 8, 2022 and will vest on January 8, 2023, provided the Named Executive Officer is still employed by the Company as of the vesting date.

<b>Service Based Restricted Stock Units for 2022 Fiscal Year</b>		
	<b>Service Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2021 Employment Agreements (\$)</b>	<b>Number of Service Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2021 Employment Agreements(1)</b>
<b>Gerald L. Morgan</b> Chief Executive Officer, President	1,100,000	12,200
<b>Tonya R. Robinson</b> Chief Financial Officer	500,000	5,500
<b>S. Chris Jacobsen</b> Chief Marketing Officer	400,000	4,400
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	500,000	5,500
<b>Hernan E. Mujica</b> Chief Information Officer	500,000	5,500
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	500,000	5,500

- (1) For the service based restricted stock units described in this footnote (1), 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 \$90.22 for these grants. Using the formula described in the immediately foregoing paragraph prior to this table, each Named Executive Officer was granted the number of service based restricted stock units described in the table above for their respective 2022 fiscal year service. These are not amounts paid to or received by the Named Executive Officers. The amounts listed above represent the grant date fair value determined in accordance with ASC 718 of restricted stock units granted under the Company's 2021 Long-Term Incentive Plan. Detailed information under ASC 718 is set forth in Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2021. The Company cautions that the amounts reported in the table above 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.

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 2021 fiscal year under their 2021 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:

<b>Performance Based Restricted Stock Units for 2021 Fiscal Year</b>				
	<b>Target Number of Performance Based Restricted Stock Units Granted for 2021 pursuant to 2021 Employment Agreements</b>	<b>Minimum Number of Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements</b>	<b>Maximum Number of Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements</b>	<b>Actual Number of Shares Issued for 2021 following Certification of 2021 Performance Goals(1)</b>
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	50,000	0	100,000	17,757(2)
<b>Gerald L. Morgan</b> Chief Executive Officer, President	15,000(3)	0	30,000	28,179
<b>Doug W. Thompson</b> Former Chief Operating Officer	20,000	0	40,000	0(4)
<b>Tonya R. Robinson</b> Chief Financial Officer	2,500(5)	0	5,000	4,697
<b>S. Chris Jacobsen</b> Chief Marketing Officer	5,000	0	10,000	9,393

- (1) The shares underlying the performance based restricted stock units attributable to the 2021 fiscal year were issued on February 25, 2022. The compensation committee determined that 50% of the performance based restricted stock unit award for the 2021 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 2021 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.
- (2) As described above, Mr. Taylor passed away on March 18, 2021. The shares listed above reflect a prorated portion of the 50,000 performance based restricted stock units previously granted relating to this 2021 fiscal year service.
- (3) 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.
- (4) As described above, Mr. Thompson retired as Chief Operating Officer of the Company on November 29, 2021. Upon his retirement, Mr. Thompson forfeited his right to receive any performance based restricted stock units relating to his 2021 fiscal year service.
- (5) 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.

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, on December 6, 2021, the compensation committee authorized the grant of performance based restricted stock units as described in the table below to Messrs. Morgan and Jacobsen and Ms. Robinson under their respective 2021 Employment Agreements for their respective 2022 fiscal year service. These performance based restricted stock units will be calculated by dividing the target dollar amount described in the table below by the per share 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, which such quotient rounded up or down to the nearest 100 shares. Additionally, these performance based restricted stock units were granted to each respective executive officer on January 8, 2022 and will vest on January 8, 2023, subject to the achievement of defined goals established by the compensation committee of the Board. The actual number of shares that will be issued to each of Messrs. Morgan and Jacobsen, and Ms. Robinson for fiscal year 2022 based on achievement of the performance goals assigned to these grants by the compensation committee will not be calculated until the first quarter of 2023.

<b>Performance Based Restricted Stock Units for 2022 Fiscal Year</b>				
	<b>Target Performance Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2021 Employment Agreements(\$)(1)</b>	<b>Minimum Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements(\$)</b>	<b>Maximum Performance Based Restricted Stock Units pursuant to 2021 Employment Agreements(\$)</b>	<b>Target Number of Performance Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2021 Employment Agreements(2)</b>
<b>Gerald L. Morgan</b>	1,100,000	0	2,200,000	12,200
<b>Tonya R. Robinson</b>	400,000	0	800,000	4,400
<b>S. Chris Jacobsen</b>	400,000	0	800,000	4,400

- (1) The compensation committee determined that 50% of the performance based restricted stock unit award for 2022 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 1.75% 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. Morgan and Jacobsen and Ms. Robinson with respect to fiscal year 2022 will be certified in the first quarter of 2023.
- (2) For the performance 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 \$90.22 for these grants. Using the formula described in the immediately foregoing paragraph prior to this table, each Named Executive Officer was granted the target number of performance based restricted stock units described in the table above for their respective 2022 fiscal year service. These are not amounts paid to or received by these Named Executive Officers. The amounts listed above represent the grant date fair value determined in accordance with ASC 718 of restricted stock units granted under the Company's 2021 Long-Term Incentive Plan. Detailed information under ASC 718 is set forth in Note 14 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2021. The Company cautions that the amounts reported in the table above for these awards may not represent the amounts that these Named Executive Officers will actually realize from the awards.

## *Separation and Change in Control Arrangements*

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. Additionally, such specific restricted stock unit award agreement and/or performance restricted stock unit award agreement entered into by the Named Executive Officers provide that if any Named Executive Officer's continuous service is terminated because of death or disability prior to the vesting date for the applicable grant of service based restricted stock units and/or performance based restricted stock units (as and if applicable), then such applicable restricted stock units become immediately vested in an amount equal to the total number of granted restricted stock units multiplied by a fraction, the numerator of which is the number of calendar months or portions thereof from grant date of such restricted stock units through the date on which such Named Executive Officer's continuous service is terminated due to death or disability and the denominator of which is the total number of calendar months or portion thereof in the vesting period for such restricted stock unit grants.

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.

The estimated amounts that would have been payable to a Named Executive Officer under the 2021 Employment Agreements are more fully described in "Termination, Change of Control and Change of Responsibility Payments."

Additionally, on November 30, 2021, Mr. Thompson and the Company announced that Mr. Thompson would be retiring as Chief Operating Officer of the Company effective as of November 29, 2021. On December 3, 2021, the Company entered into the Thompson Separation Agreement with Mr. Thompson. Under the Thompson Separation Agreement, the Company agreed to pay to Mr. Thompson an aggregate sum of \$4,745,000 (less any applicable withholdings and/or deductions), which will be paid in three installments in accordance with the following schedule: (i) \$1,581,667 due and payable no later than December 27, 2021; (ii) \$1,581,666 due and payable on January 31, 2022; and (iii) \$1,581,666 due and payable on March 14, 2022. These amounts reflect a monetized amount of incentive bonus, service based restricted stock units and performance based restricted stock units that Mr. Thompson would have otherwise received for his 2021 fiscal year service to the extent Mr. Thompson had remained with the Company through the end of the fiscal year. The Thompson Separation Agreement also provided a general release of claims by Mr. Thompson and affirmed certain obligations under his 2021 Employment Agreement, including, without limitation, obligations pertaining to confidentiality, non-competition, non-hire, and non-solicitation.

### *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 28, 2021.

All members of the compensation committee concur in this report.

James R. Zarley, Chair  
Michael A. Crawford  
Donna E. Epps  
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 2021, 2020, and 2019 for Mr. Morgan, our Chief Executive Officer, Mr. Taylor, our late Chairman and Chief Executive Officer, and Ms. Robinson, our Chief Financial Officer. It also includes such information for at least three of our other most highly compensated executive officers during fiscal year 2021, 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 (\$)(4)	All Other Compensation (\$)(5)	Total (\$)(3)
<b>Gerald L. Morgan</b>	2021	411,269	—	2,394,513	880,832	83,151	3,769,765
Chief Executive Officer, President	2020	100,000	200	291,726	772,944	300	1,165,170
<b>W. Kent Taylor</b>	2021	100,962	—	4,753,200	112,500	19,502	4,986,164
Late Chairman, Late Chief Executive Officer	2020	121,154	—	3,358,800	7,213	133,772	3,620,939
	2019	525,000	—	3,711,600	654,181	8,961	4,899,742
<b>Tonya R. Robinson</b>	2021	343,269	200	998,855	446,168	—	1,788,492
Chief Financial Officer	2020	245,482	200	671,760	3,290	—	920,732
	2019	298,077	200	1,237,200	249,212	1,161	1,785,850
<b>Doug W. Thompson</b>	2021	435,122	—	2,376,600	—	4,745,000	7,556,722
Former Chief Operating Officer	2020	122,960	200	1,679,400	7,896	7,800	1,818,256
	2019	450,000	200	2,629,050	598,108	8,961	3,686,319
<b>S. Chris Jacobsen</b>	2021	343,269	200	950,640	410,944	7,800	1,712,853
Chief Marketing Officer	2020	242,981	200	671,760	3,290	6,658	924,889
	2019	314,481	200	742,320	249,212	8,961	1,315,174
<b>Christopher C. Colson</b>	2021	323,077	200	945,109	319,290	1,497	1,589,173
General Counsel, Corporate Secretary							
<b>Hernan E. Mujica</b>	2021	337,707	200	1,142,042	284,783	—	1,764,732
Chief Information Officer							
<b>Gina A. Tobin</b>	2021	334,423	200	822,315	238,141	—	1,395,079
Chief Learning and Culture Officer							

- (1) This column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 28, 2021, December 29, 2020, and December 31, 2019.
- (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. Morgan, (i) amounts for the 2021 fiscal year include (a) the performance based restricted stock units and service based restricted stock units granted to Mr. Morgan during the 2021 fiscal year relating to his 2021 year service, and (b) the service based restricted stock units granted to Mr. Morgan during the 2021 fiscal year relating to his Q4 2020 service, and (ii) 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. Taylor, (i) amounts for the 2021 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Taylor during the 2021 fiscal year relating to his 2021 year service (ii) 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 (iii) 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 2021 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Ms. Robinson during the 2021 fiscal year relating to her 2021 year service, (ii) 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, and (iii) 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.

With respect to Mr. Thompson, (i) amounts for the 2021 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Thompson during the 2021 fiscal year relating to his 2021 year service, (ii) 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, and (iii) 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.

With respect to Mr. Jacobsen, (i) amounts for the 2021 fiscal year include the performance based restricted stock units and service based restricted stock units granted to Mr. Jacobsen during the 2021 fiscal year relating to his 2021 year service, (ii) 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 (iii) 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.

With respect to Mr. Colson, amounts for the 2021 fiscal year include (a) the service based restricted stock units granted to Mr. Colson during the 2021 fiscal year relating to his 2021 year service including certain grants made prior to his appointment to General Counsel, and (b) the service based restricted stock units granted to Mr. Colson during the 2021 fiscal year relating to his Q4 2020 service.

With respect to Mr. Mujica, amounts for the 2021 fiscal year include (a) the service based restricted stock units granted to Mr. Mujica during the 2021 fiscal year relating to his 2021 year service including certain grants made prior to his designation of an executive officer as Chief Information Officer, and (b) the service based restricted stock units granted to Mr. Mujica during the 2021 fiscal year relating to his Q4 2020 service.

With respect to Ms. Tobin, amounts for the 2021 fiscal year include (a) the service based restricted stock units granted to Ms. Tobin during the 2021 fiscal year relating to her 2021 year service including certain grants made prior to her appointment to Chief Learning and Culture Officer, and (b) the service based restricted stock units granted to Ms. Tobin during the 2021 fiscal year relating to her Q4 2020 service.

- (4) As described above, Mr. Thompson retired as Chief Operating Officer of the Company on November 29, 2021. Upon his retirement, Mr. Thompson forfeited his right to receive any bonus relating to his 2021 fiscal year service.
- (5) The amount included for Mr. Morgan with respect to fiscal year 2021 includes \$81,654 paid by the Company toward to Mr. Morgan's relocation expenses to Louisville, Kentucky.

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 2021, the Company paid \$17,941 toward Mr. Taylor's personal security prior to his passing, and for fiscal year 2020, the Company paid \$130,155 toward Mr. Taylor's personal security.

The amount included for Mr. Thompson with respect to fiscal year 2021 includes the total amount paid to Mr. Thompson by the Company under the Thompson Separation Agreement.

### Grants of Plan-Based Awards in Fiscal Year 2021

The following table presents information with respect to grants of stock awards to the applicable Named Executive Officers during fiscal year 2021.

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		
<b>W. Kent Taylor</b>						
Service Based RSUs vesting on January 8, 2022	January 8, 2021	—	—	—	10,000	792,200
Performance Based RSUs vesting on January 8, 2022	January 8, 2021	—	50,000(4)	100,000	—	3,961,000
<b>Gerald L. Morgan</b>						
Service Based RSUs vesting on January 8, 2022	January 8, 2021	—	—	—	5,000	396,100
Performance Based RSUs vesting on January 8, 2022	January 8, 2021	—	2,500(4)	5,000	—	198,050
Service Based RSUs vesting on February 24, 2022	February 24, 2021	—	—	—	1,250	112,838
Service Based RSUs vesting on January 8, 2022	March 31, 2021	—	—	—	5,000	482,150
Performance Based RSUs vesting on January 8, 2022	March 31, 2021	—	12,500(4)	25,000	—	1,205,375

### 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		
<b>Doug W. Thompson</b>						
Service Based RSUs vesting on January 8, 2022	January 8, 2021	—	—	—	10,000	792,200
Performance Based RSUs vesting on January 8, 2022	January 8, 2021	—	20,000(4)	40,000	—	1,584,400
<b>Tonya R. Robinson</b>						
Service Based RSUs vesting on January 8, 2022	January 8, 2021	—	—	—	10,000	792,200
Performance Based RSUs vesting on January 8, 2022	January 8, 2021	—	2,000(4)	4,000	—	158,440
Performance Based RSUs vesting on January 8, 2022	March 31, 2021	—	500(4)	1,000	—	48,215
<b>S. Chris Jacobsen</b>						
Service Based RSUs vesting on January 8, 2022	January 8, 2021	—	—	—	7,000	554,540
Performance Based RSUs vesting on January 8, 2022	January 8, 2021	—	5,000(4)	10,000	—	396,100
<b>Christopher C. Colson</b>						
Service Based RSUs vesting on February 24, 2022	February 24, 2021	—	—	—	1,125	101,554
Service Based RSUs vesting on January 8, 2022	March 31, 2021	—	—	—	7,500	723,225
Service Based RSUs vesting on May 5, 2022	May 5, 2021	—	—	—	1,125	120,330
<b>Hernan E. Mujica</b>						
Service Based RSUs vesting on February 24, 2022	February 24, 2021	—	—	—	2,375	214,391
Service Based RSUs vesting on May 5, 2022	May 5, 2021	—	—	—	2,375	254,030
Service Based RSUs vesting on January 8, 2022	June 15, 2021	—	—	—	4,750	462,840
Service Based RSUs vesting on August 4, 2022	August 4, 2021	—	—	—	2,375	210,781

### 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		
<b>Gina A. Tobin</b>						
Service Based RSUs vesting on February 24, 2022	February 24, 2021	—	—	—	1,000	90,270
Service Based RSUs vesting on May 5, 2022	May 5, 2021	—	—	—	1,500	160,440
Service Based RSUs vesting on January 8, 2022	June 15, 2021	—	—	—	4,500	438,480
Service Based RSUs vesting on August 4, 2022	August 4, 2021	—	—	—	1,500	133,125

- (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, 2021 at \$79.22.
  - (ii) With respect to Mr. Morgan, 5,000 service based restricted stock units and 2,500 performance based restricted stock units granted on January 8, 2021 at \$79.22, 1,250 service based restricted stock units granted on February 24, 2021 at \$90.27, and 5,000 service based restricted stock units and 12,500 performance based restricted stock units granted on March 31, 2021 at \$96.43.
  - (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, 2021 at \$79.22.
  - (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, 2021 at \$79.22 and 500 performance based restricted stock units granted on March 31, 2021 at \$96.43.
  - (v) With respect to Mr. Jacobsen, 7,000 service based restricted stock units and 5,000 performance based restricted stock units granted on January 8, 2021 at \$79.22.
  - (vi) With respect to Mr. Colson, 1,125 service based restricted stock units granted on February 24, 2021 at \$90.27, 7,500 service based restricted stock units granted on March 31, 2021 at \$96.43, and 1,125 service based restricted stock units granted on May 5, 2021 at \$106.96.

- (vii) With respect to Mr. Mujica, 2,375 service based restricted stock units granted on February 24, 2021 at \$90.27, 2,375 service based restricted stock units granted on May 5, 2021 at \$106.96, 4,750 service based restricted stock units granted on June 15, 2021 at \$97.44, and 2,375 service based restricted stock units granted on August 4, 2021 at \$88.75.
- (viii) With respect to Ms. Tobin, 1,000 service based restricted stock units granted on February 24, 2021 at \$90.27, 1,500 restricted stock units granted on May 5, 2021 at \$106.96, 4,500 service based restricted stock units granted on June 15, 2021 at \$97.44, and 1,500 service based restricted stock units granted on August 4, 2021 at \$88.75.

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 14 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2021.

- (4) The amount included in the table above represents the target award opportunity. Performance based equity awards with respect to fiscal year 2021 were paid at 187.9% 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 an increase in actual EPS of 682.5% and an actual Profit Sharing Pool of \$4,273,076 calculated on fiscal year 2021 pre-tax profit of \$284,871,733.

## 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 28, 2021 by the Named Executive Officers (other than Messrs. Taylor and Thompson).

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)
<b>Gerald L. Morgan</b> Chief Executive Officer, President	11,250(2)	1,008,225	15,000(3)	1,344,300
<b>Tonya R. Robinson</b> Chief Financial Officer	10,000(4)	896,200	2,500(5)	224,050
<b>S. Chris Jacobsen</b> Chief Marketing Officer	7,000(6)	627,340	5,000(7)	448,100
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	9,750(8)	873,795	—	—
<b>Hernan E. Mujica</b> Chief Information Officer	11,875(9)	1,064,238	—	—
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	8,500(10)	761,770	—	—

- (1) Market value was computed using the Company's closing stock price on the last trading day of our fiscal year ended December 28, 2021, which was \$89.62.
- (2) The vesting schedule is as follows: 10,000 service based restricted stock units on January 8, 2022 and 1,250 service based restricted stock units on February 24, 2022.
- (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: 15,000 performance based restricted stock units on January 8, 2022.
- (4) The vesting schedule is as follows: 10,000 service based restricted stock units on January 8, 2022.
- (5) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 2,500 performance based restricted stock units on January 8, 2022.
- (6) The vesting schedule is as follows: 7,000 service based restricted stock units on January 8, 2022.
- (7) 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: 5,000 performance based restricted stock units on January 8, 2022.

- (8) The vesting schedule is as follows: 7,500 service based restricted stock units on January 8, 2022, 1,125 service based restricted stock units on February 24, 2022 and 1,125 service based restricted stock units on May 5, 2022.
- (9) The vesting schedule is as follows: 4,750 service based restricted stock units on January 8, 2022, 2,375 service based restricted stock units on February 24, 2022, 2,375 service based restricted stock units on May 5, 2022, and 2,375 service based restricted stock units on August 4, 2022.
- (10) The vesting schedule is as follows: 4,500 service based restricted stock units on January 8, 2022, 1,000 service based restricted stock units on February 24, 2022, 1,500 service based restricted stock units on May 5, 2022, and 1,500 service based restricted stock units on August 4, 2022.

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 28, 2021 by the Named Executive Officers.

Stock Vested Table		
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(1)
<b>W. Kent Taylor</b> Late Chairman, Late Chief Executive Officer	80,979	7,632,882(i)
<b>Gerald L. Morgan</b> Chief Executive Officer, President	5,000	468,763(ii)
<b>Doug W. Thompson</b> Former Chief Operating Officer	23,816	1,886,704(iii)
<b>Tonya R. Robinson</b> Chief Financial Officer	20,132	1,594,857(iv)
<b>S. Chris Jacobsen</b> Chief Marketing Officer	15,461	1,224,820(v)
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	4,500	421,886(vi)
<b>Hernan E. Mujica</b> Chief Information Officer	9,500	890,649(vii)
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	3,750	352,290(viii)

- (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) \$79.22 with respect to the 10,000 service based restricted stock units which vested on January 8, 2021, \$79.22 with respect to the 3,290 performance based restricted stock units which vested on January 8, 2021 but became reportable on February 26, 2021, \$97.21 with respect to 1,890 service based restricted stock units which vested on March 18, 2021 (which reflects a prorated portion of 10,000 service based restricted stock units that vested upon Mr. Taylor’s death), \$97.21 with respect to 48,042 “retention” restricted stock units which vested on March 18, 2021 (which reflects a prorated portion of 75,000 “retention” restricted stock units that vested upon Mr. Taylor’s death), and \$97.21 with respect to 17,757 performance based restricted stock units



which vested on March 18, 2021 but became reportable on February 25, 2022 (which reflect a prorated portion of 50,000 performance based restricted stock units that vested upon Mr. Taylor's death but were determined after certain Company performance measures have been satisfied during the 2021 fiscal year).

- (ii) \$90.88 with respect to the 1,250 service based restricted stock units which vested on March 1, 2021, \$104.63 with respect to the 1,250 service based restricted stock units which vested on May 10, 2021, \$91.71 with respect to the 1,250 service based restricted stock units which vested on August 9, 2021, and \$87.79 with respect to the 1,250 service based restricted stock units which vested on November 3, 2021.
- (iii) \$79.22 with respect to the 22,500 service based restricted stock units which vested on January 8, 2021 and \$79.22 with respect to the 1,316 performance based restricted stock units which vested on January 8, 2021 but became reportable on February 26, 2021.
- (iv) \$79.22 with respect to the 20,000 service based restricted stock units which vested on January 8, 2021 and \$79.22 with respect to the 132 performance based restricted stock units which vested on January 8, 2021 but became reportable on February 26, 2021.
- (v) \$79.22 with respect to the 15,000 service based restricted stock units which vested on January 8, 2021 and \$79.22 with respect to the 461 performance based restricted stock units which vested on January 8, 2021 but became reportable on February 26, 2021.
- (vi) \$90.88 with respect to the 1,125 service based restricted stock units which vested on March 1, 2021, \$104.63 with respect to the 1,125 service based restricted stock units which vested on May 10, 2021, \$91.71 with respect to the 1,125 service based restricted stock units which vested on August 9, 2021, and \$87.79 with respect to the 1,125 service based restricted stock units which vested on November 3, 2021.
- (vii) \$90.88 with respect to the 2,375 service based restricted stock units which vested on March 1, 2021, \$104.63 with respect to the 2,375 service based restricted stock units which vested on May 10, 2021, \$91.71 with respect to the 2,375 service based restricted stock units which vested on August 9, 2021, and \$87.79 with respect to the 2,375 service based restricted stock units which vested on November 3, 2021.
- (viii) \$90.88 with respect to the 750 service based restricted stock units which vested on March 1, 2021, \$104.63 with respect to the 1,000 service based restricted stock units which vested on May 10, 2021, \$91.71 with respect to the 1,000 service based restricted stock units which vested on August 9, 2021, and \$87.79 with respect to the 1,000 service based restricted stock units which vested on November 3, 2021.

### **Termination, Change of Control and Change of Responsibility Payments**

If a Named Executive Officer had resigned or been terminated any reason or for cause other than a Qualifying Reason (as defined above) prior to the expiration of the term of his or her 2021 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 as well as any accrued paid time off that might be due at such termination in accordance with policies of the Company in effect from time to time, and the Company shall have no other severance obligations under such 2021 Employment Agreement.

If a Named Executive Officer had been terminated prior to the expiration of the term of his or her 2021 Employment Agreement for a Qualifying Reason, the Company will pay the Named Executive Officer three months of base salary, unless the termination occurs within 12 months following a Change in Control (as defined above), 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.

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. Additionally, such specific restricted stock unit award agreement and/or performance restricted stock unit award agreement entered into by the Named Executive Officers provide that if any Named Executive Officer's continuous service is terminated because of death or disability prior to the vesting date for the applicable grant of service based restricted stock units and/or performance based restricted stock units (as and if applicable), then such applicable restricted stock units become immediately vested in an amount equal to the total number of granted restricted stock units multiplied by a fraction, the numerator of which is the number of calendar months or portions thereof from grant date of such restricted stock units through the date on which such Named Executive Officer's continuous service is terminated due to death or disability and the denominator of which is the total number of calendar months or portion thereof in the vesting period for such restricted stock unit grants.

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the 2021 Employment Agreements if his or her employment had been terminated for a Qualifying Reason unrelated to a change of control or death or disability on December 28, 2021, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of all claims against us.

<b>Termination Payments Table</b>	
<b>Name</b>	<b>Total Estimated Cash Payments (\$)(1)</b>
<b>Gerald L. Morgan</b> Chief Executive Officer, President	112,500
<b>Doug W. Thompson</b> Former Chief Operating Officer	4,745,000(2)
<b>Tonya R. Robinson</b> Chief Financial Officer	87,500
<b>S. Chris Jacobsen</b> Chief Marketing Officer	87,500
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	87,500
<b>Hernan E. Mujica</b> Chief Information Officer	87,500
<b>Gina A. Tobin</b> Chief Learning & Culture Officer	87,500

- (1) If the employment of any of Mss. Robinson and Tobin and Messrs. Morgan, Jacobsen, Colson, and Mujica is terminated under those circumstances, then the Company will pay him or her three months of their applicable base salary.
- (2) As more particularly described above, this amount includes the actual amount paid by the Company to Mr. Thompson pursuant to the Thompson Separation Agreement and is comprised of three installments

in accordance with the following schedule: (i) \$1,581,667 due and payable no later than December 27, 2021; (ii) \$1,581,666 due and payable on January 31, 2022; and (iii) \$1,581,666 due and payable on March 14, 2022. As previously discussed, upon his retirement, Mr. Thompson forfeited his right to all outstanding equity awards and he reaffirmed certain obligations under his 2021 Employment Agreement, including, without limitation, obligations pertaining to non-competition, non-hire, and non-solicitation

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the 2021 Employment Agreements and applicable equity incentive agreements if his or her employment had been terminated without Cause following a Change in Control or if any Named Executive Officer resigns for Good Reason within 12 months following a Change of Control, on December 28, 2021, the last day of our fiscal year, provided that each Named Executive Officer signed a full release of claims against us.

<b>Change in Control, Change in Responsibilities Payments Table</b>			
<b>Name</b>	<b>Estimated Cash Payments (\$)(1)</b>	<b>Estimated Value of Newly Vested Stock Awards (\$)(2)</b>	<b>Total (\$)</b>
<b>Gerald L. Morgan</b> Chief Executive Officer, President	2,155,405	2,352,525	4,507,930
<b>Tonya R. Robinson</b> Chief Financial Officer	1,403,049	1,120,250	2,523,299
<b>S. Chris Jacobsen</b> Chief Marketing Officer	1,343,114	1,075,440	2,418,554
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	1,227,214	873,795	2,101,009
<b>Hernan E. Mujica</b> Chief Information Officer	1,192,990	1,064,238	2,257,228
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	1,011,514	761,770	1,773,284

- (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 within 12 months following a Change of Control, the Named Executive Officer would have received the amount of his or her then current base salary through the end of the term of the Named Executive Officer's employment agreement, together 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. Had a Named Executive Officer's employment been so terminated on December 28, 2021, each of Messrs. Morgan, Jacobsen, Colson, and Mujica, and Mss. Robinson and Tobin would have received payment through January 7, 2024.

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

<b>Name</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Total Estimated Payments (\$)</b>
<b>Gerald L. Morgan</b> Chief Executive Officer, President	913,562	1,241,844	2,155,405
<b>Tonya R. Robinson</b> Chief Financial Officer	710,548	692,501	1,403,049
<b>S. Chris Jacobsen</b> Chief Marketing Officer	710,548	632,566	1,343,114
<b>Christopher C. Colson</b> General Counsel, Corporate Secretary	710,548	516,666	1,227,214
<b>Hernan E. Mujica</b> Chief Information Officer	710,548	482,442	1,192,990
<b>Gina A. Tobin</b> Chief Learning and Culture Officer	710,548	300,966	1,011,514

- (2) While the individual 2021 Employment Agreements do not address the manner in which vested 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 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 (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. 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 28, 2021, which was \$89.62. 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 2021 total cash compensation for all individuals (other than Mr. Morgan, our CEO) who were employed by us as of December 28, 2021, the last day of our 2021 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 2021 fiscal year and who was working for us at the end of our fiscal year. As of December 28, 2021, approximately 71% of our employees were part-time employees and our average employee worked approximately 19 hours per week.

We identified our median employee as a server in Zanesville, Ohio who worked an average of 20 hours per week. After identifying our median employee, we calculated the annual total compensation for such employee as \$16,234, which is determined using the same methodology we used for our Named Executive Officers as set forth in the 2021 Summary Compensation Table described above.

As more particularly described in the 2021 Summary Compensation Table, the annual total compensation for Mr. Morgan, our CEO, for our 2021 fiscal year is \$3,769,765 and the ratio between the compensation for our CEO and the compensation for our median employee is 232 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

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The audit committee of the Board (the “*Committee*”) is currently composed of six 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](http://www.texasroadhouse.com). The Committee is currently comprised of Mss. Epps and Widmer and Messrs. Crawford, Moore, Warfield, and Zarley. Mr. Moore currently serves as the chairperson of the Committee. The Board evaluated the credentials of and designated Ms. Epps and Messrs. Moore and Warfield as audit committee financial experts.

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 28, 2021 (the “*Audited Financial Statements*”).

- The Committee met 15 times during fiscal year 2021, which were comprised of six regular meetings of the Committee, two meetings per quarter relating to the Committee’s review of the Company’s quarterly earnings release and filings with the SEC, and one special meeting 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 evaluated and reviewed the Company’s internal audit function, including, without limitation, the independence, competence, staffing adequacy and authority of the function; the ability of the internal audit function to raise issues to the appropriate level of authority; and the reporting relationships among the Company’s internal auditors, financial management, and the Committee;
- 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, the Company’s General Counsel, the independent auditors, and the Company’s risk committee team consisting of the Company’s Chief Financial Officer, General Counsel and Corporate Secretary, Vice President of Legendary People and Risk, and Vice President of Finance, 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. Additionally and as a part of the Committee’s oversight responsibilities, the Committee received reports on risks relating to certain business functions within the Company, including cybersecurity, together with reports from the Company’s information security and governance risk committee and the environmental, social, and governance risk committee;
- The Committee reviewed with the Company’s General Counsel 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 2021 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](http://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 matter(s) 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 2021 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 and acknowledged that the Committee did not have any objections to the filing of the same;
- 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 28, 2021, for filing with the SEC.

All members of the Committee concur in this report.

Gregory N. Moore, Chair  
Michael A. Crawford  
Donna E. Epps  
Curtis A. Warfield  
Kathleen M. Widmer  
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 either entered into before our initial public offering in 2004 and the subsequent formation of the Committee or before the individual listed below became a Named Executive Officer.

### *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 and/or former Named Executive Officers as of the end of the 2021 fiscal year is listed below.

<b>Restaurant</b>	<b>Name and Ownership</b>	<b>Initial Franchise Fee</b>	<b>Royalty Rate</b>	<b>Royalties Paid to Us in Fiscal Year 2021 (\$)</b>	<b>Management, Supervision, and/or Accounting Fees Paid to Us in Fiscal Year 2021 (\$)(1)</b>
<b>Billings, MT</b>	W. Kent Taylor(2) (27.5%)	—	4.0%	237,192	33,885
<b>El Cajon, CA</b>	Gerald L. Morgan (2.0%)	—	4.0%	370,374	28,266
<b>Everett, MA</b>	W. Kent Taylor(2) (28.75%)	—	4.0%	246,245	35,178
<b>McKinney, TX</b>	Gerald L. Morgan (2.0%)	—	4.0%	316,551	45,256
<b>Muncie, IN</b>	W. Kent Taylor(2) (4.91%)	—	—	50,000	—
<b>Brownsville, TX</b>	Gerald L. Morgan (3.06%)	—	4.0%	336,276	48,038
<b>Port Arthur, TX</b>	W. Kent Taylor(2) (15.0%)	—	4.0%	228,910	32,701
<b>Wichita, KS</b>	W. Kent Taylor (24.05%)	—	4.0%	327,633	46,805
<b>Oceanside, CA</b>	Gerald L. Morgan (2.0%)	—	4.0%	322,454	25,911

(1) The management, supervision and/or accounting fees described in this table are fees paid by the operating entity of the applicable franchise location to the Company pursuant to a separate management agreement.

(2) As discussed above, Mr. Taylor passed away on March 18, 2021. Mr. Taylor's interest in the franchise restaurants listed above are now in the Estate of W. Kent Taylor.

For the 2021 fiscal year, the total amount of distributions received by Mr. Taylor (or the Estate of W. Kent Taylor) and Mr. Morgan relating to their ownership interests in the above-referenced franchised restaurants were \$1,418,535 and \$116,453, respectively. These amounts do not reflect compensation paid by the Company to Mr. Taylor and/or Mr. Morgan during the 2021 fiscal year; rather, these amounts were paid by the applicable franchise entity and reflect a return on investment in these separate restaurant locations. None of the beneficiaries of the Estate of W. Kent Taylor are current and/or former Named Executive Officers.



On March 19, 2004, we entered into a preliminary franchise agreement with a company which was 95% owned by Mr. Taylor to develop a restaurant at a location which was to be determined. The terms of the preliminary franchise agreement provided for no initial franchise fees and royalties of 3.5% of restaurant sales. During fiscal year 2021, we received no payment from this franchise restaurant, as none was due because such franchise restaurant was never built prior to Mr. Taylor's passing. This preliminary franchise agreement is of no further force and effect following Mr. Taylor's passing on March 18, 2021.

The franchise agreements that we have entered into with these current and/or former Named Executive Officers contain the same terms and conditions as those agreements that we enter into with our other Texas Roadhouse 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 such Named Executive Officers based on a pre-determined valuation formula which is the same as the formula contained in the Texas Roadhouse domestic franchise agreements that we have entered into with other franchisees with whom we have such rights. 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 current and/or former 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 and/or former Named Executive Officers as of the end of the 2021 fiscal year is listed below.

<b>Restaurant</b>	<b>Name and Ownership</b>	<b>Management or Supervision Fees Paid to Us in Fiscal Year 2021 (\$)</b>
<b>Gilbert-East, AZ</b>	Doug W. Thompson(i)(41.5%)	304,270
<b>Mansfield, TX</b>	Gerald L. Morgan (34.5%)	305,431

- (i) As previously described, Mr. Thompson retired as Chief Operating Officer of the Company on November 29, 2021.

For the 2021 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 \$519,888 and \$478,948, respectively. These amounts do not reflect compensation paid by the Company to Mr. Thompson and/or Mr. Morgan during the 2021 fiscal year; rather, these amounts were paid by the applicable entity and reflect a return on investment in these separate restaurant locations.

*Other Related Transactions*

We entered into a real estate lease agreement for the franchise restaurant located in Everett, MA, of which the Estate of W. Kent Taylor beneficially owns 28.75%, before our granting franchise restaurants in the Everett, MA restaurant location. We have subsequently assigned the lease to the franchisee, but we remain contingently liable if the 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 seven directors. At the Annual Meeting, we are electing seven directors to hold office until the Annual Meeting of Shareholders in 2023 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.

<b>Name</b>	<b>Age</b>	<b>Position or Office</b>	<b>Director Since</b>
<b>Michael A. Crawford</b>	54	Director	2020
<b>Donna E. Epps</b>	57	Director	2021
<b>Gregory N. Moore</b>	72	Chairman of the Board; Director	2005
<b>Gerald L. Morgan</b>	61	Chief Executive Officer; President; Director	2021
<b>Curtis A. Warfield</b>	53	Director	2018
<b>Kathleen M. Widmer</b>	60	Director	2013
<b>James R. Zarley</b>	77	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 27, 2022. 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 2022 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

KPMG LLP Fees for Fiscal Years 2021 and 2020		
	2021(\$)	2020(\$)
Audit Fees	748,400	756,478
Audit-related Fees	20,000	15,000
Tax Fees	15,751	15,424
All Other Fees	—	1,780
	784,551	788,682

*Audit Fees.* KPMG LLP charged \$748,400 in fiscal year 2021 and \$756,478 in fiscal year 2020 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 2021 and 2020 contain approximately \$18,400 and \$18,478, respectively, related to statutory audits.

*Audit-related Fees.* KPMG LLP charged \$15,000 in both fiscal year 2021 and fiscal year 2020 for their consent to include the Company's annual consolidated financial statements in both of our franchise disclosure documents. KPMG LLP also charged \$5,000 in fiscal year 2021 for their review of our 2021 long-term incentive plan and the issuance of their consent related to the form S-8 filing.

*Tax Fees.* KPMG LLP charged \$15,751 in fiscal year 2021 and \$15,424 in fiscal year 2020 for consulting and compliance services.

*All Other Fees.* KPMG LLP charged \$1,780 in fiscal year 2020 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 2022 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 longer 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. While the initial grant of restricted stock unit awards is based on a fixed dollar amount starting with the 2022 fiscal year, as opposed to a fixed number of restricted stock units for prior year service, the ultimate value of the restricted stock unit awards is dependent upon the performance of the Company and the price of our common stock at the time such restricted stock units vest. 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 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 2021 annual meeting and again requests approval of the compensation packages of our Named Executive Officers.

### **Recommendation**

***THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE EXECUTIVE COMPENSATION DETAILED IN THIS PROXY STATEMENT.***

## SHAREHOLDER PROPOSALS

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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 2023 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 2, 2022 (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 2, 2022.

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

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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/or by the audit committee (as appropriate). 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

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The Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2021, 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 28, 2021, 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

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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 1, 2022

*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.*



**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 28, 2021

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-50972

**Texas Roadhouse, Inc.**

(Exact name of registrant specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-1083890**  
(IRS Employer  
Identification Number)

**6040 Dutchmans Lane  
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 business day of the second fiscal quarter ended June 29, 2021 was \$6,575,905,380 based on the closing stock price of \$94.64. 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 69,124,686 on February 16, 2022.

Portions of the registrant's definitive Proxy Statement for the registrant's 2022 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 28, 2021, are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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 new or reinstated restrictions or regulations on our operations, any labor or supply chain shortages or limited availability of staff to meet our business standards;
- health and dietary 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 and/or availability of our principal food and beverage products;
- labor shortages or increased labor costs, such as federal or state minimum wage changes, market wage levels, health care, sick pay 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;
- security breaches of confidential guest information in connection with our electronic processing of credit and debit card transactions, ransomware attacks 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 late founder, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 667 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 28, 2021, we owned and operated 566 restaurants and franchised an additional 70 domestic restaurants and 31 international restaurants.

#### Narrative Description of Business

Of the 566 restaurants we owned and operated at the end of 2021, we operated 526 as Texas Roadhouse restaurants, 36 as Bubba's 33 restaurants and four as Jagers restaurants.

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 dine-in 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.

Jagers 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 tossed when ordered and served with homemade dressings. Jagers offers drive-thru, carry-out, and dine-in service options. Our first Jagers restaurant opened in December 2014 in Noblesville, Indiana.

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

#### Segment Information

We manage our restaurant and franchising operations by concept and as a result have identified Texas Roadhouse, Bubba's 33, Jagers and our retail initiatives (including our online store and royalty-based licensing arrangements) as separate operating segments. In addition, we have identified Texas Roadhouse and Bubba's 33 as reportable segments.

#### COVID-19 and Related Impacts

The Company has been subject to risks and uncertainties as a result of the COVID-19 pandemic (the "pandemic"). These include federal, state and local restrictions on restaurants, some of which have limited capacity or seating in dining rooms while others have allowed to-go or curbside service only. As of December 28, 2021, all of our domestic company and franchise locations were operating without restriction. As of December 29, 2020, all of our domestic company and franchise locations were operating their dining rooms under various limited capacity restrictions or were limited to outdoor and/or to-go or curbside service only.

As a result of these restrictions, we developed a hybrid operating model to accommodate our dining room restrictions together with enhanced to-go. We continue to see sales in our to-go program higher than pre-pandemic levels, even with dining rooms operating without restriction. We cannot predict how long we will continue to be impacted by the pandemic, the extent to which our dining rooms will have to close again or otherwise have limited

seating, or if the increased sales in our to-go program will continue. The extent to which the pandemic impacts our business, results of operations, or financial condition will depend on future developments which are outside of our control. This includes, without limitation, the efficacy and public acceptance of vaccination programs and/or testing mandates in curbing the spread of the virus, the introduction and spread of new variants of the virus, which may prove resistant to currently approved vaccines, and new or reinstated restrictions or regulations on our operations.

As a result of a significant increase in sales, the lingering impact of the pandemic, and other supply constraints, we have experienced and expect to continue to experience commodity cost inflation and certain food and supply shortages. The commodity cost inflation, which primarily relates to beef, is due to increased costs incurred by our vendors related to higher labor, transportation, packaging, and raw material costs. To date, we have been able to properly manage any food or supply shortages but have experienced increased costs. If our vendors are unable to fulfill their obligations under their contracts, we may encounter further shortages and/or higher costs to secure adequate supply and a possible loss of sales, any of which would harm our business.

In addition, as our dining rooms have returned to operating without restriction, our ability to attract and retain restaurant-level employees has become more challenging due to an increasingly competitive job market throughout the country. We have also experienced periodic staffing shortages due to employees testing positive or having to quarantine due to exposure to the virus. To the extent these challenges persist, we could continue to experience increased labor costs and/or decreased sales.

As a result of the pandemic, legislation referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed in 2020 to benefit companies that were significantly impacted by the pandemic. This legislation allowed for the deferral of the social security portion of the employer portion of FICA payroll taxes from the date of enactment through the end of 2020. In total, we deferred \$47.3 million in payroll taxes, of which \$24.3 million was repaid in 2021 and \$23.0 million is required to be repaid by the end of 2022. The amount due in 2022 is included in accrued wages and payroll taxes 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. Since the onset of the pandemic, the Company has provided various forms of relief pay for hourly restaurant employees, a significant portion of which qualified for this tax credit. For the years ended December 28, 2021 and December 29, 2020, we recorded \$1.2 million and \$7.0 million, respectively, related to this credit which is included as a reduction to labor expense in our consolidated statements of income and comprehensive income.

## **Operating Strategy**

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

- *Offering high quality, freshly prepared food.* We place a great deal of emphasis on providing our guests with high quality, freshly prepared food. 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 nearly all of our Texas Roadhouse 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 \$11.99 for our 6-ounce Sirloin to \$29.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2021 was \$19.68. 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 \$21.49 for our 16-inch Meaty Meaty pizza. The per guest average check for the Bubba's 33 restaurants we owned and operated in 2021 was \$18.94.
- *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 to 8,400 square feet of space constructed on sites of approximately 1.5 to 2.5 acres or retail pad sites, with seating of approximately 58 to 68 tables for a total of 270 to 325 guests, including 18 bar seats, and parking for approximately 180 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 7,200 to 8,800 square feet of space constructed on sites of approximately 1.5 to 2.5 acres or retail pad sites. This includes seating of approximately 55 to 59 tables for a total of 270 to 330 guests, including 26 to 46 bar seats. Some locations include patio seating with an additional 10 tables and up to 60 seats. Parking is targeted for approximately 180 vehicles either on-site or in combination with some form of off-site cross parking arrangement.

In response to the pandemic, we made building modifications and/or expansions to a number of existing restaurants. These changes were made to better accommodate the increase in our to-go sales and/or alternative dining arrangements. We also installed booth partitions in all of our restaurants as an added safety measure for our guests.

As of December 28, 2021, we leased 418 properties and owned 148 properties. For 2021, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the 23 Texas Roadhouse company restaurants opened during the year was \$5.7 million, broken down as follows:

	<u>Average Cost</u>	<u>Low</u>	<u>High</u>
Land(1) .....	\$ 1,250,000	\$ 900,000	\$ 1,550,000
Building(2) .....	2,330,000	1,780,000	2,740,000
Furniture and Equipment .....	1,385,000	1,275,000	1,500,000
Pre-opening costs .....	710,000	480,000	1,220,000
Other(3) .....	15,000	—	240,000
Total .....	<u>\$ 5,690,000</u>		

- 
- (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 2021, the average capital investment, including pre-opening expenses and a capitalized rent factor, for the five Bubba's 33 company restaurants opened during the year was \$7.4 million, broken down as follows:

	<u>Average Cost</u>	<u>Low</u>	<u>High</u>
Land(1) .....	\$ 1,735,000	\$ 1,500,000	\$ 2,040,000
Building(2) .....	2,680,000	2,460,000	3,125,000
Furniture and Equipment .....	1,885,000	1,740,000	1,945,000
Pre-opening costs .....	1,145,000	740,000	1,490,000
Total .....	<u>\$ 7,445,000</u>		

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- (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.

For 2021 and 2020, our average capital investment for the Texas Roadhouse restaurants was \$5.7 million and \$6.3 million, respectively. The decrease in our 2021 average capital investment was primarily due to lower land and building costs. The higher land costs in 2020 were due to increased rent amounts at several sites. The higher building costs in 2020 were due to higher material costs and construction delays related to the pandemic as well as sites located in more expensive areas. We expect our average capital investment for restaurants to be opened in 2022 to be approximately \$6.3 million due to increased supply costs.

Our average capital investment for the Bubba's 33 restaurants opened in 2021 and 2020 was \$7.4 million and \$7.3 million, respectively. The increase in our 2021 average capital investment for our Bubba's 33 restaurants was primarily due to higher rent costs. We expect our average capital investment for restaurants to be opened in 2022 to be approximately \$7.3 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, supply chain costs, 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 and our restaurant market partners devote 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 14 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 28, 2021, we had 566 company restaurants and 101 franchise restaurants in 49 states and ten foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	9	—	9
Alaska	2	—	2
Arizona	20	—	20
Arkansas	8	—	8
California	4	10	14
Colorado	17	1	18
Connecticut	5	—	5
Delaware	3	2	5
Florida	43	—	43
Georgia	14	4	18
Idaho	6	—	6
Illinois	19	—	19
Indiana	23	8	31
Iowa	10	—	10
Kansas	6	1	7
Kentucky	17	2	19
Louisiana	10	1	11
Maine	3	—	3
Maryland	8	6	14
Massachusetts	10	1	11
Michigan	17	3	20
Minnesota	6	—	6
Mississippi	3	—	3
Missouri	17	—	17
Montana	—	1	1
Nebraska	3	1	4
Nevada	3	—	3
New Hampshire	3	—	3
New Jersey	10	—	10
New Mexico	6	—	6
New York	21	—	21
North Carolina	21	—	21
North Dakota	2	1	3
Ohio	35	2	37
Oklahoma	8	—	8
Oregon	2	—	2
Pennsylvania	25	6	31
Rhode Island	3	—	3
South Carolina	3	6	9
South Dakota	2	—	2
Tennessee	16	1	17
Texas	76	5	81
Utah	9	1	10
Vermont	1	—	1
Virginia	20	—	20
Washington	2	1	3
West Virginia	3	3	6
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	566	70	636
Bahrain	—	1	1
China	—	1	1
South Korea	—	4	4
Kuwait	—	3	3
Mexico	—	2	2
Philippines	—	5	5
Qatar	—	1	1
Saudi Arabia	—	5	5
Taiwan	—	4	4
United Arab Emirates	—	5	5
Total international restaurants	—	31	31
Total system-wide restaurants	566	101	667

## 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 \$29.99. 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 burgers, 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<sup>®</sup>" and "Rattlesnake Bites<sup>®</sup>". 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 \$4.99 and \$9.99. At Bubba's 33 restaurants, our menu prices, excluding appetizers, generally range from \$9.99 to \$21.49. 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 \$4.49 and \$6.99. In addition, our full menu is available through our mobile apps or online which allows for to-go pickup.

Most of our restaurants feature a full bar that offers a 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 all company restaurants accounted for 10.8% of restaurant sales in fiscal 2021.

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.

During 2021, we began working with a third-party vendor to help customers identify known allergens in each of our menu items. This information is currently available for Texas Roadhouse restaurants and we plan to implement it for Bubba's 33 and Jagers restaurants in 2022.

*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 domestic system-wide stores.

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 response to the pandemic. This included adding a sanitation coordinator position responsible for cleaning high touch areas, adding hand sanitizer stations at each restaurant and supplying each restaurant with chemical sanitation sprayers.

We also participate 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 28, 2021, all of our domestic system-wide stores had been certified under this program.

*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 domestic system-wide stores.

*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 and a combination of operations, kitchen and service managers, as well as assistant managers. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Operations managers support the managing partner in overall operations including both departments for kitchen and service. Kitchen managers have primary responsibility for managing the kitchen staff and overall kitchen operations including food production, preparation, execution and quality standards. Service managers have primary responsibility for managing the front of house staff and overall dining room, bar and to-go operations including service quality and the guest

experience. Assistant managers support our managing partners, operations managers, 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 was completed virtually in 2021 and resumed to in-person training in 2022.

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, Mother's Day and Veterans 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 28, 2021, we had 25 franchisees that operated 101 Texas Roadhouse restaurants in 23 states and ten foreign countries. Domestically, franchise rights for our Texas Roadhouse restaurants 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 Texas Roadhouse franchisees. Approximately 75% of our franchise restaurants are operated by ten franchisees and no franchisee operates more than 16 restaurants.

Our standard Texas Roadhouse 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 2021 and 2020, we waived royalties of \$0.2 million and \$0.4 million, respectively, for international franchisees in countries that were significantly impacted by the pandemic and 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, without limitation, 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 Texas Roadhouse 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 Texas Roadhouse 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 28, 2021, we had 15 restaurants in five countries in the Middle East, five restaurants open in the Philippines, four in Taiwan, four in South Korea, two in Mexico and one in China for a total of 31 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.

In 2021, we entered into our first area development agreements for Jagers, our fast-casual concept. These agreements allow for the development and operation of restaurants in specific territories in Texas, Oklahoma, and North Carolina. As part of these agreements, the franchisees are 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 territories. No franchise agreements have been entered into and no corresponding restaurants have been opened yet related to these area development agreements.

Any of our area development or 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 our 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 our 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 have an ownership interest and five additional domestic franchise restaurants in which we have no 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, concept, 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 have 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 45 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 that satisfy our financial targets, 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. Federal regulations under the Patient Protection and Affordable Care Act of 2010 require that 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. Alcoholic beverages at all company restaurants accounted for 10.8% of restaurant sales in fiscal 2021.

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, during the periods in which they were effective, led to decreased sales, increased costs, and operational complexity. All capacity restrictions had lapsed by July 2021.

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.

## **Human Capital Management**

As of December 28, 2021, we employed approximately 73,300 people. These employees include 724 executive and administrative personnel and 2,833 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, tuition reimbursement, 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 responsible for cleaning high touch areas, adding hand sanitizer stations at each restaurant, and supplying each restaurant with chemical sanitation sprayers. In addition, we have allowed our Support Center employees to maintain a work schedule that allows for working remotely on a periodic or full-time basis depending on the prevalence of the virus. 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. 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](http://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](http://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.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gerald L. Morgan . . . . .	61	President and Chief Executive Officer
S. Chris Jacobsen. . . . .	56	Chief Marketing Officer
Tonya R. Robinson . . . . .	53	Chief Financial Officer
Christopher C. Colson. . . . .	45	General Counsel and Corporate Secretary
Regina A. Tobin . . . . .	58	Chief Learning and Culture Officer
Hernan E. Mujica . . . . .	60	Chief Information Officer

*Gerald L. Morgan.* Mr. Morgan was appointed Chief Executive Officer in March 2021 and President in December 2020. Mr. Morgan joined Texas Roadhouse in 1997, during which time he has held the positions of 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. Mr. Jacobsen has more than 30 years of restaurant marketing experience with Texas Roadhouse, Papa John’s International and Waffle House, Inc.

*Tonya R. Robinson.* Ms. Robinson was appointed Chief Financial Officer in May 2018. Ms. Robinson 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.

*Christopher C. Colson.* Mr. Colson was appointed General Counsel in March 2021 and Corporate Secretary in August 2019. Mr. Colson joined Texas Roadhouse in 2005, during which time he has held the positions of Senior Counsel, Associate General Counsel and Executive Director of the Global Development Group. Mr. Colson has over 20 years of restaurant industry experience with Texas Roadhouse, Frost Brown Todd LLC (serving as outside counsel to Texas Roadhouse), YUM! Brands, Inc. and as assurance staff at KPMG LLP.

*Regina A. Tobin.* Ms. Tobin was appointed Chief Learning and Culture Officer in June 2021. Ms. Tobin joined Texas Roadhouse in 1996, during which time she has held the positions of Managing Partner, Market Partner, and Vice President of Training. Ms. Tobin has over 25 years of restaurant industry experience.

*Hernan E. Mujica.* Mr. Mujica was designated as Chief Information Officer in June 2021. Mr. Mujica joined Texas Roadhouse in January 2012 as Vice President of Information Technology and was subsequently promoted to Chief Information Officer. Prior to joining Texas Roadhouse, Mr. Mujica held senior management positions at The Home Depot and Arthur Andersen. Mr. Mujica has over 30 years of experience in both industry and consulting roles.

**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 could continue to disrupt our business.***

The Company has been subject to risks and uncertainties as a result of the pandemic. These include federal, state and local restrictions on restaurants, some of which have limited capacity or seating in the dining rooms while others have allowed to-go or curbside service only. As of December 28, 2021, all of our domestic company and franchise locations were operating without restriction.

As a result of a number of factors, including a significant increase in sales, the lingering impact of the pandemic,

and other supply constraints, we have experienced and expect to continue to experience commodity cost inflation and certain food and supply shortages. The commodity cost inflation, which primarily relates to beef, is due to increased costs incurred by our vendors related to higher labor, transportation, packaging, and raw materials costs. To date, we have been able to properly manage any food or supply shortages but have experienced increased costs. If our vendors are unable to fulfill their obligations under their contracts, we may encounter further shortages and/or higher costs to secure adequate supply and a possible loss of sales, any of which would harm our business.

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.

The extent to which COVID-19 impacts our business, results of operations, or financial condition will depend on future developments which are outside of our control. This includes, without limitation, the efficacy and public acceptance of vaccination programs and/or testing mandates in curbing the spread of the virus, the introduction and spread of new variants of the virus, which may prove resistant to currently approved vaccines, and new or reinstated restrictions or regulations on our operations.

***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, (2) increasing sales and profits at existing restaurants, and (3) pursuing other strategic initiatives or business opportunities. While all 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. 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 delays 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 that satisfy our financial targets. Competition for suitable restaurant sites in our target markets is intense.

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, managing partners, and/or other restaurant management personnel who can execute our business strategy;
- our ability to negotiate suitable purchase or lease terms;
- the availability of construction materials, equipment and labor;
- our ability to control construction and development costs of new restaurants (including increased site, supply chain and distribution costs);
- 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 (if at all);
- 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;
- our ability to maintain and manage the increased levels of to-go sales at our restaurants;
- competition, from our competitors in the restaurant industry, our own restaurants, and/or other food service providers (such as delivery services and grocery stores);
- the impact of permanent changes in weather patterns that can cause 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;
- loss of parking and/or access rights due to government action (such as eminent domain actions) or through private transactions;
- 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 and beverage products and other supplies we use;
- legislation that impacts our suppliers' ability to maintain compliance with laws and regulations and impacts our ability to source product; and
- effects of actual or threatened terrorist attacks (including cyber and/or ransomware 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, Bubba's 33 and Jagers, may not be as successful as our experience in the development of the Texas Roadhouse concept. These restaurants 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 Jagers 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 or our franchisees 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 28, 2021, our operations include 31 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 the registration and/or enforceability of intellectual property and contract rights;
- adverse tax consequences;
- profit repatriation and other restrictions on the transfer of funds; and
- different and more stringent user protection, data protection, privacy and other laws.

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

We are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs, 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 or other brand extensions) 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 28, 2021, we operated a total of 76 company restaurants in Texas and 43 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, sick pay or health benefits;
- profitability of our restaurants, particularly in new markets;
- changes in interest rates;
- the impact of litigation, including negative publicity;
- 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;
- closures and/or dining rooms operating at limited capacity due to mandated restaurant closures and/or limited availability of staff to meet our business standards;
- negative publicity regarding food safety and other food and beverage related matters, including the integrity of our, and/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 including changes related to environmental, social and/or governance practices;
- 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.

***We rely heavily on information technology, and any material failure, weakness, ransomware 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, digital apps, financial systems, marketing programs, e-commerce, cyber-security and various other processes and transactions. This reliance has significantly increased since the onset of the pandemic as we have had to rely to a greater extent on systems such as online ordering, contactless payments, online waitlists, and systems supporting a more remote workforce. 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. In addition, as we implement new technology platforms to improve the overall guest experience, there can be no guarantees that these platforms will operate as reliably or be as operationally impactful as intended.

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 increased costs to comply with privacy and data protection laws and, if we fail to comply or our systems are compromised by a security breach, we could be subject to government enforcement actions, private litigation and adverse publicity.***

We receive and maintain certain personal, financial or other information about our guests and employees. During 2021, approximately 84% of our transactions were by credit or debit cards. In addition, certain of our vendors receive and/or maintain certain personal, financial and other information about our employees and guests on our behalf. The use and handling, including security, of this information is regulated by evolving and increasingly demanding data privacy laws and regulations in various jurisdictions, as well as by certain third-party contracts, frameworks and industry standards, such as the Payment Card Industry Data Security Standard. 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, if our security and information systems are compromised as a result of data corruption or loss, cyber-attack or a network security incident, or if our employees or vendors fail to comply with these laws and regulations or fail to meet industry standards and this information is obtained by unauthorized persons or used inappropriately, it could result in liabilities and penalties and could damage our reputation, cause interruption of normal business performance,

cause us to incur substantial costs and result in a loss of guest confidence, which could adversely affect our results of operations and financial condition. Additionally, we could be subject to litigation and government enforcement actions as a result of any such failure. Any such claim or proceeding could cause us to incur significant unplanned expenses in excess of our insurance coverage, which could have a material impact on our financial condition and results of operations. In addition, if there are malfunctions or other problems with our processing vendors, billing software or payment processing systems, it may cause interruption of normal business performance.

***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 pandemic, certain state and local jurisdictions have enacted various health, safety and other regulations that have impacted our restaurants. Compliance with these regulations during the periods in which they were effective led to decreased sales, increased costs, and operational complexity. The capacity restrictions had lapsed by July 2021.

***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 proprietary 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, data privacy claims 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.

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 (if any).

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, 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 prior year due to the pandemic, 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.

***Changes in tax laws and unanticipated tax liabilities could adversely affect our financial results.***

We are primarily subject to income and other taxes in the United States. Our effective income tax rate and other taxes in the future could be affected by a number of factors, including changes in the valuation of deferred tax assets and liabilities, changes in tax laws or other legislative changes and the outcome of income tax audits. Any significant increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.

***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 analysis 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 any actual or alleged 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 our applicable restaurant operating 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, our 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 and/or availability of products 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 and/or the availability of products necessary to operate our business. Any increase in food prices or loss of supply, 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 and/or loss of supply by adjusting our purchasing practices, menu prices or menu offerings, 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. 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 hourly and overtime pay, state unemployment rates, sick pay or other 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. To address these challenges, we provided relief pay and enhanced benefits for our hourly employees and also completed two national hiring day events. 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 and tuition reimbursement. 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.***

Despite the impact of the pandemic, the U.S. and other global economies continue to be strong. In future periods, 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, financial market volatility, social unrest, government spending, a low or stagnant pace of economic recovery and growth, 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. We continue to see elevated levels of to-go sales even without capacity restrictions in our dining room.

***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. Federal disclosure requirements under the Patient Protection and Affordable Care Act of 2010 require that 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 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 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. As a result of the pandemic, we temporarily suspended all cash dividends and share repurchases to enhance our financial flexibility. Payment of cash dividends and share purchases resumed in 2021, however 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 28, 2021, we leased 133,023 square feet. Our lease expires on October 31, 2048, including all applicable extensions. Of the 566 company restaurants in operation as of December 28, 2021, we owned 148 locations and leased 418 locations, as shown in the following table.

<u>State</u>	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Alabama	3	6	9
Alaska	—	2	2
Arizona	5	15	20
Arkansas	1	7	8
California	1	3	4
Colorado	7	10	17
Connecticut	—	5	5
Delaware	1	2	3
Florida	7	36	43
Georgia	4	10	14
Idaho	1	5	6
Illinois	3	16	19
Indiana	13	10	23
Iowa	2	8	10
Kansas	2	4	6
Kentucky	4	13	17
Louisiana	2	8	10
Maine	—	3	3
Maryland	—	8	8
Massachusetts	1	9	10
Michigan	5	12	17
Minnesota	1	5	6
Mississippi	1	2	3
Missouri	2	15	17
Nebraska	1	2	3
Nevada	—	3	3
New Hampshire	2	1	3
New Jersey	—	10	10
New Mexico	1	5	6
New York	3	18	21
North Carolina	4	17	21
North Dakota	—	2	2
Ohio	12	23	35
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	—	16	16
Texas	39	37	76
Utah	1	8	9
Vermont	—	1	1
Virginia	6	14	20
Washington	—	2	2
West Virginia	1	2	3
Wisconsin	4	6	10
Wyoming	2	—	2
Total	<u>148</u>	<u>418</u>	<u>566</u>

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 16, 2022 was 166.

On February 17, 2022, our Board of Directors declared a quarterly dividend of \$0.46 per share of common stock which will be distributed on March 25, 2022 to shareholders of record at the close of business on March 9, 2022. In 2011, our Board of Directors declared our first quarterly dividend of \$0.08 per share of common stock which we consistently grew over time. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends on the Company’s common stock, effective with respect to dividends occurring after the quarterly cash dividend of \$0.36 paid on March 27, 2020. This was done to preserve cash flow due to the pandemic. On April 28, 2021, our Board of Directors reinstated the payment of a quarterly cash dividend of \$0.40 per share of common stock. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

#### Unregistered Sales of Equity Securities

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

#### Issuer Repurchases of Securities

In 2008, our Board of Directors approved our first stock repurchase program. From inception through December 28, 2021, we have paid \$420.7 million through our authorized stock repurchase programs to repurchase 18,307,437 shares of our common stock at an average price per share of \$22.98. 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 2021, we paid \$51.6 million to repurchase 584,932 shares of our common stock. As of December 28, 2021, \$96.1 million remains authorized for stock repurchases.

The following table includes information regarding purchases of our common stock made by us during the quarter ended December 28, 2021:

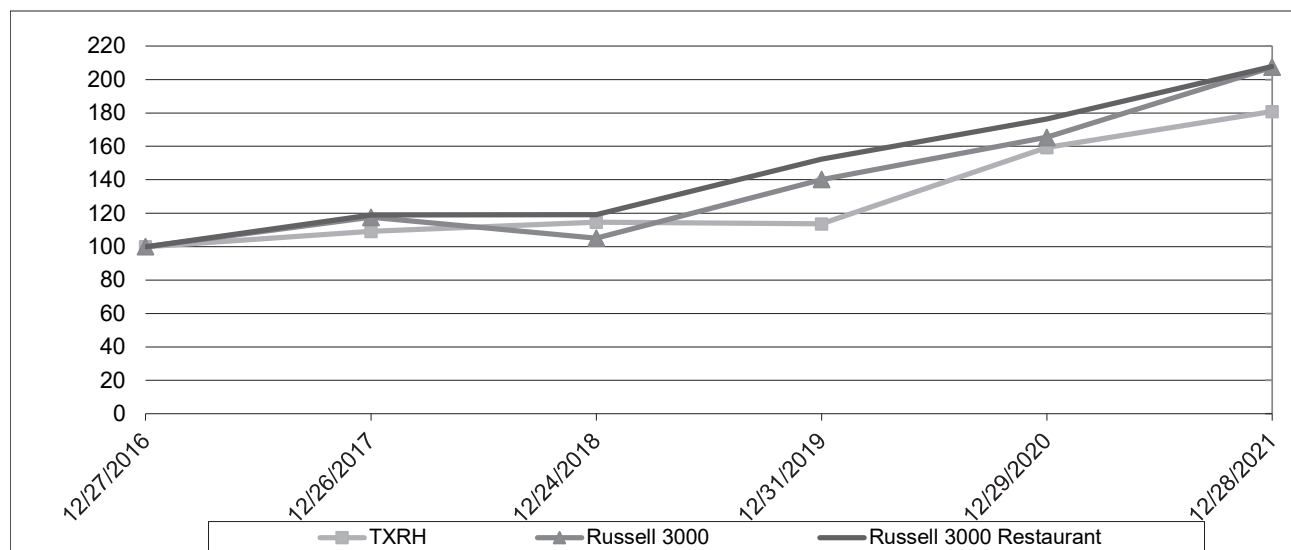
<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
September 29 to October 26 .....	85,304	\$ 90.76	85,304	\$ 125,332,008
October 27 to November 23 .....	89,227	\$ 90.39	89,227	\$ 117,266,491
November 24 to December 28 .....	249,367	\$ 84.79	249,367	\$ 96,123,569
Total .....	<u>423,898</u>		<u>423,898</u>	

## 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 28, 2021, 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 27, 2016 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 27, 2016**  
Among Texas Roadhouse, Inc., the Russell 3000 Index and the Russell 3000 Restaurant Index



	<u>12/27/2016</u>	<u>12/26/2017</u>	<u>12/24/2018</u>	<u>12/31/2019</u>	<u>12/29/2020</u>	<u>12/28/2021</u>
Texas Roadhouse, Inc. ....	\$ 100.00	\$ 109.12	\$ 114.63	\$ 113.64	\$ 159.32	\$ 180.83
Russell 3000 .....	\$ 100.00	\$ 117.59	\$ 105.07	\$ 140.21	\$ 165.38	\$ 207.34
Russell 3000 Restaurant .....	\$ 100.00	\$ 118.96	\$ 119.16	\$ 152.31	\$ 176.33	\$ 207.87

## ITEM 6—RESERVED

Removed and reserved.

## 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 2021 results as compared to 2020 results. For discussion of 2020 results as compared to 2019 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 29, 2020 filed with the SEC on February 26, 2021.

### Our Company

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our late founder, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 667 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 28, 2021, our 667 restaurants included:

- 566 "company restaurants," of which 546 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 566 restaurants we owned and operated at the end of 2021, we operated 526 as Texas Roadhouse restaurants, 36 as Bubba’s 33 restaurants and four as Jagers restaurants.
- 101 "franchise restaurants," 24 of which we have a 5.0% to 10.0% ownership interest. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity (loss) 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 101 franchise restaurants, 70 were domestic restaurants and 31 were international restaurants.

We have contractual arrangements that grant us the right to acquire at pre-determined formulas the remaining equity interests in 18 of the 20 majority-owned company restaurants and 66 of the 70 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 2021 and fiscal year 2020 were both 52 weeks in length, while the fourth quarters were both 13 weeks in length.

### COVID-19 and Related Impacts

The Company has been subject to risks and uncertainties as a result of the COVID-19 pandemic (the “pandemic”). These include federal, state and local restrictions on restaurants, some of which have limited capacity or seating in dining rooms while others have allowed to-go or curbside service only. As of December 28, 2021, all of our domestic company and franchise locations were operating without restriction. As of December 29, 2020, all of our domestic company and franchise locations were operating their dining rooms under various limited capacity restrictions or were limited to outdoor and/or to-go or curbside service only.

As a result of these restrictions, we developed a hybrid operating model to accommodate our dining room restrictions together with enhanced to-go. We continue to see sales in our to-go program higher than pre-pandemic levels, even with dining rooms operating without restriction. We cannot predict how long we will continue to be impacted by the pandemic, the extent to which our dining rooms will have to close again or otherwise have limited seating, or if the increased sales in our to-go program will continue. The extent to which the pandemic impacts our business, results of operations, or financial condition will depend on future developments which are outside of our control. This includes, without limitation, the efficacy and public acceptance of vaccination programs and/or testing mandates in curbing the spread of the virus, the introduction and spread of new variants of the virus, which may prove resistant to currently approved vaccines, and new or reinstated restrictions or regulations on our operations.

As a result of a significant increase in sales, the lingering impact of the pandemic, and other supply constraints, we have experienced and expect to continue to experience commodity cost inflation and certain food and supply shortages. The commodity cost inflation, which primarily relates to beef, is due to increased costs incurred by our vendors related to higher labor, transportation, packaging, and raw material costs. To date, we have been able to properly manage any food or supply shortages but have experienced increased costs. If our vendors are unable to fulfill their obligations under their contracts, we may encounter further shortages and/or higher costs to secure adequate supply and a possible loss of sales, any of which would harm our business.

In addition, as our dining rooms have returned to operating without restriction, our ability to attract and retain restaurant-level employees has become more challenging due to an increasingly competitive job market throughout the country. We have also experienced periodic staffing shortages due to employees testing positive for the virus or having to quarantine. To the extent these challenges persist, we could continue to experience increased labor costs and/or decreased sales.

As a result of the pandemic, legislation referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was passed in 2020 to benefit companies that were significantly impacted by the pandemic. This legislation allowed for the deferral of the social security portion of the employer portion of FICA payroll taxes from the date of enactment through the end of 2020. In total, we deferred \$47.3 million in payroll taxes, of which \$24.3 million was repaid in 2021 and \$23.0 million is required to be repaid by the end of 2022. The amount due in 2022 is included in accrued wages and payroll taxes 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. Since the onset of the pandemic, the Company has provided various forms of relief pay for hourly restaurant employees, a significant portion of which qualified for this tax credit. For the years ended December 28, 2021 and December 29, 2020, we recorded \$1.2 million and \$7.0 million, respectively, related to this credit which is included as a reduction to labor expense in our consolidated statements of income and comprehensive income.

### **Long-term Strategies to Grow Earnings Per Share and Create Shareholder Value**

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

*Expanding Our Restaurant Base.* We continue to evaluate opportunities to develop restaurants in existing markets and in new domestic and international markets. Domestically, we remain focused primarily on markets where we believe a significant demand for our restaurants exists because of population size, income levels, and the presence of shopping and entertainment centers and a significant employment base. In recent years, we have relocated several existing Texas Roadhouse locations at or near the end of the associated lease or as a result of eminent domain which allowed us to move to a better site, update them to a current prototypical design, construct a larger building with more seats and greater number of available parking spaces, accommodate increased to-go sales and/or obtain more favorable lease terms. We continue to evaluate these opportunities particularly as it relates to older locations with strong sales. At our high volume restaurants, we continue to look for opportunities to increase our dining room capacity by adding on to our existing building and/or to increase our parking capacity by leasing or purchasing property that adjoins our site. In addition, we continue to pursue opportunities to acquire domestic franchise locations to expand our company restaurant base.

In 2021, we opened 29 company restaurants while our franchise partners opened four total restaurants domestic and internationally. This included 23 Texas Roadhouse restaurants, five Bubba's 33 restaurants, and one Jagers restaurant. In 2022, we plan to open approximately 25 Texas Roadhouse and Bubba's 33 company restaurants. In addition, we anticipate our existing franchise partners will open as many as five Texas Roadhouse restaurants in 2022.

Our average capital investment for the 23 Texas Roadhouse restaurants opened during 2021, including pre-opening expenses and a capitalized rent factor, was \$5.7 million. We expect our average capital investment for Texas Roadhouse restaurants opening in 2022 to be approximately \$6.3 million. Our average capital investment for the five Bubba's 33 restaurants opened during 2021, including pre-opening expenses and a capitalized rent factor, was \$7.4 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2022 to be approximately \$7.3 million.

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

We have entered into area development and franchise agreements for the development and operation of Texas Roadhouse restaurants in 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 28, 2021, we had 15 restaurants in five countries in the Middle East, five restaurants open in the Philippines, four in Taiwan, four in South Korea, two in Mexico and one in China for a total of 31 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.

In 2021, we entered into our first area development agreements for Jagers, our fast-casual concept. These agreements allow for the development and operation of restaurants in specific territories in Texas, Oklahoma, and North Carolina. As part of these agreements, the franchisees are 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 territories. No franchise agreements have been entered into and no corresponding restaurants have been opened yet related to these area development agreements.

*Maintaining and/or Improving Restaurant Level Profitability.* We continue to balance the impacts of inflationary pressures with our value positioning as we remain focused on our long-term success. This may create a challenge in terms of maintaining and/or increasing restaurant-level profitability (restaurant margin), in any given year, depending on the level of inflation we experience. Restaurant margin is not a U.S. generally accepted accounting principle ("GAAP") measure and should not be considered in isolation, or as an alternative to income from operations. See further discussion of restaurant margin below. In addition to restaurant margin, as a percentage of restaurant and other sales, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant-level profitability. In terms of driving comparable restaurant sales, we remain focused on encouraging repeat visits by our guests and attracting new guests through our continued commitment to operational standards relating to food and service quality. To attract new guests and increase the frequency of visits of our existing guests, we also continue to drive various localized marketing programs, focus on speed of service and increase throughput by adding seats and parking at certain restaurants. In addition, with the increase in to-go sales, we have made changes to our building layout to better accommodate higher to-go volumes at our restaurants. We have also made investments in technology to allow for a better guest experience.

We also continue to look for ways through various strategic initiatives to drive awareness of our brands and increase sales and profitability. At the onset of the pandemic, we began selling ready-to-grill steaks for customers to prepare at home. While we reduced our store-level offerings around ready-to-grill once our dining rooms began to re-open in mid-2020, based on the success of this program we developed Texas Roadhouse Butcher Shop. This online retail store allows for the purchase and delivery of quality steaks that are similar to those available in our restaurants. This non-royalty-based product launched in late 2020.



We also further expanded our retail business in 2021 with the introduction of our non-alcoholic Margarita Mixer, and our canned cocktail Margarita Seltzer, which rolled out in test markets. These Texas Roadhouse-branded products are subject to royalty-based license agreements.

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

*Returning Capital to Shareholders.* We continue to evaluate opportunities to return capital to our shareholders, including the payment of dividends and repurchase of common stock. In 2011, our Board of Directors declared our first quarterly dividend of \$0.08 per share of common stock which we consistently grew over time. On March 24, 2020, the Board of Directors voted to suspend the payment of quarterly cash dividends on the Company's common stock, effective with respect to dividends occurring after March 27, 2020. This was done to preserve cash flow due to the pandemic. On April 28, 2021, our Board of Directors reinstated the payment of a quarterly cash dividend of \$0.40 per share of common stock. On February 17, 2022, our Board of Directors declared a quarterly cash dividend of \$0.46 per share of common stock.

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

In 2008, our Board of Directors approved our first stock repurchase program. From inception through December 28, 2021, we have paid \$420.7 million through our authorized stock repurchase programs to repurchase 18,307,437 shares of our common stock at an average price per share of \$22.98. 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 2021, we paid \$51.6 million to repurchase 584,932 shares of our common stock. As of December 28, 2021, \$96.1 million remains authorized for stock repurchases.

## **Key Operating Personnel**

Key management personnel who have a significant impact on the performance of our restaurants include market partners, managing partners, operations managers, 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. Operations managers support the managing partner in overall operations including both departments for kitchen and service. Kitchen managers have primary responsibility for managing the kitchen staff and overall kitchen operations including food production, preparation, execution and quality standards. Service managers have primary responsibility for managing the front of house staff and overall dining room, bar and to-go operations including service quality and the guest experience. Assistant managers support our managing partners, operations managers, 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 required to make refundable deposits of \$25,000 and \$50,000, respectively. Generally, the deposits are refunded after five years of continuous 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 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 all 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, the mix of menu items sold and the mix of dine-in versus to-go sales can affect the per person average check amount.

*Average Unit Volume.* Average unit volume represents the average annual restaurant sales for Texas Roadhouse and Bubba's 33 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 all company restaurants, unless otherwise noted, 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. Other sales also include sales related to our non-royalty-based retail products.

*Franchise Royalties and Fees.* Franchise royalties consist of royalties, as defined in our franchise agreement, paid to us by our domestic and international franchisees. 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 (Loss) Income from Unconsolidated Affiliates.* Equity (loss) income 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 had 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. We fully impaired our equity investment related to this joint venture in 2021 as these restaurants closed during the year.

*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.

## 2021 Financial Highlights

Total revenue increased \$1.1 billion or 44.4% to \$3.5 billion in 2021 compared to \$2.4 billion in 2020 primarily due to an increase in average unit volumes driven by an increase in comparable restaurant sales, along with an increase in store weeks. Store weeks and comparable restaurant sales increased 5.0% and 37.8%, respectively, at company restaurants in 2021. The increase in comparable restaurant sales was driven by the re-opening of our dining rooms, the continued easing of dining room capacity and seating restrictions throughout 2021 and continued strong to-go sales.

Restaurant margin increased \$316.1 million or 119.0% to \$581.7 million in 2021 compared to \$265.6 million in 2020 and restaurant margin, as a percentage of restaurant and other sales, increased to 16.9% in 2021 compared to 11.2% in 2020. The increase in restaurant margin was due to higher sales partially offset by commodity inflation.

Net income increased \$214.0 million or 684.8% to \$245.3 million in 2021 compared to \$31.3 million in 2020 primarily due to higher restaurant margin dollars partially offset by higher general and administrative expenses and higher income tax expense. Diluted earnings per share increased 682.5% to \$3.50 from \$0.45 in the prior year.

	<b>Results of Operations</b>			
	<b>Fiscal Year Ended</b>			
	<b>2021</b>		<b>2020</b>	
	\$	%	\$	%
<b>(In thousands)</b>				
<b>Consolidated Statements of Income:</b>				
Revenue:				
Restaurant and other sales . . . . .	3,439,176	99.3	2,380,177	99.3
Franchise royalties and fees . . . . .	24,770	0.7	17,946	0.7
Total revenue . . . . .	<u>3,463,946</u>	<u>100.0</u>	<u>2,398,123</u>	<u>100.0</u>
Costs and expenses:				
<i>(As a percentage of restaurant and other sales)</i>				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Food and beverage . . . . .	1,156,628	33.6	780,646	32.8
Labor . . . . .	1,123,003	32.7	875,764	36.8
Rent . . . . .	60,005	1.7	54,401	2.3
Other operating . . . . .	517,808	15.1	403,726	17.0
<i>(As a percentage of total revenue)</i>				
Pre-opening . . . . .	24,335	0.7	20,099	0.8
Depreciation and amortization . . . . .	126,761	3.7	117,877	4.9
Impairment and closure, net . . . . .	734	NM	2,263	NM
General and administrative . . . . .	157,480	4.5	119,503	5.0
Total costs and expenses . . . . .	<u>3,166,754</u>	<u>91.4</u>	<u>2,374,279</u>	<u>99.0</u>
Income from operations . . . . .	297,192	8.6	23,844	1.0
Interest expense (income), net . . . . .	3,663	0.1	4,091	0.2
Equity (loss) income from investments in unconsolidated affiliates . . . . .	<u>(637)</u>	<u>(0.0)</u>	<u>(500)</u>	<u>(0.0)</u>
Income before taxes . . . . .	292,892	8.5	19,253	0.8
Income tax expense (benefit) . . . . .	39,578	1.1	(15,672)	(0.7)
Net income including noncontrolling interests . . . . .	<u>253,314</u>	<u>7.3</u>	<u>34,925</u>	<u>1.5</u>
Net income attributable to noncontrolling interests . . . . .	<u>8,020</u>	<u>0.2</u>	<u>3,670</u>	<u>0.2</u>
Net income attributable to Texas Roadhouse, Inc. and subsidiaries . . . . .	<u>245,294</u>	<u>7.1</u>	<u>31,255</u>	<u>1.3</u>

NM – Not meaningful

**Reconciliation of Income from Operations to Restaurant Margin**  
**Fiscal Year Ended**

	2021	2020
	(In thousands, except per store week)	
Income from operations . . . . .	\$ 297,192	\$ 23,844
Less:		
Franchise royalties and fees . . . . .	24,770	17,946
Add:		
Pre-opening . . . . .	24,335	20,099
Depreciation and amortization . . . . .	126,761	117,877
Impairment and closure, net . . . . .	734	2,263
General and administrative . . . . .	157,480	119,503
Restaurant margin . . . . .	<u>\$ 581,732</u>	<u>\$ 265,640</u>
Restaurant margin \$/store week . . . . .	\$ 20,389	\$ 9,773
Restaurant margin (as a percentage of restaurant and other sales) . . . . .	16.9%	11.2%

**Restaurant Unit Activity**

	Total	Texas Roadhouse	Bubba's 33	Jaggers
Balance at December 29, 2020 . . . . .	634	600	31	3
Company openings . . . . .	29	23	5	1
Company closings . . . . .	—	—	—	—
Franchise openings - Domestic . . . . .	1	1	—	—
Franchise openings - International . . . . .	3	3	—	—
Franchise closings . . . . .	—	—	—	—
Balance at December 28, 2021 . . . . .	<u>667</u>	<u>627</u>	<u>36</u>	<u>4</u>

	December 28, 2021	December 29, 2020
Company - Texas Roadhouse . . . . .	526	503
Company - Bubba's 33 . . . . .	36	31
Company - Jaggers . . . . .	4	3
Franchise - Texas Roadhouse - U.S. . . . .	70	69
Franchise - Texas Roadhouse - International . . . . .	31	28
Total . . . . .	<u>667</u>	<u>634</u>

## Restaurant and Other Sales

Restaurant and other sales increased 44.5% in 2021 compared to 2020. 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.

	<u>2021</u>	<u>2020</u>
Company Restaurants:		
Increase in store weeks . . . . .	5.0 %	2.7 %
Increase (decrease) in average unit volume . . . . .	36.7 %	(14.5)%
Other(1) . . . . .	2.6 %	(1.2)%
Total increase (decrease) in restaurant sales . . . . .	<u>44.3 %</u>	<u>(13.0)%</u>
Other sales . . . . .	0.2 %	0.1 %
Total increase (decrease) in restaurant and other sales . . . . .	<u>44.5 %</u>	<u>(12.9)%</u>
Store weeks . . . . .	28,531	27,181
Comparable restaurant sales . . . . .	37.8 %	(14.2)%
Texas Roadhouse restaurants only:		
Store weeks . . . . .	26,622	25,531
Comparable restaurant sales . . . . .	37.6 %	(14.1)%
Average unit volume (in thousands) . . . . .	\$ 6,364	\$ 4,649
Weekly sales by group:		
Comparable restaurants (473 and 453 units, respectively) . . . . .	123,064	89,621
Average unit volume restaurants (18 and 20 units, respectively)(2) . . . . .	104,545	84,485
Restaurants less than six months old (35 and 30 units, respectively) . . . . .	124,142	81,546
Bubba's 33 restaurants:		
Store weeks . . . . .	1,747	1,544
Comparable restaurant sales . . . . .	43.0 %	(17.4)%
Average unit volume (in thousands) . . . . .	5,090	3,678
Weekly sales by group:		
Comparable restaurants (25 and 24 units, respectively) . . . . .	101,097	70,768
Average unit volume restaurants (5 and 1 units, respectively)(2) . . . . .	81,813	69,612
Restaurants less than six months old (6 and 6 units, respectively) . . . . .	115,554	61,595

(1) Includes the impact of the year-over-year change in sales volume of all Jagers restaurants, along with Texas Roadhouse and Bubba's 33 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) Average unit volume restaurants include restaurants open a full six to 18 months before the beginning of the period measured.

The increase in restaurant sales for 2021 was primarily attributable to an increase in average unit volumes, driven by an increase in comparable restaurant sales along with an increase in store weeks. The increase in comparable restaurant sales was driven by the re-opening of our dining rooms, the continued easing of dining room capacity and seating restrictions throughout 2021 and continued strong to-go sales. Comparable restaurant sales increased 37.8% in 2021, which included guest traffic count growth of 27.6% and per person average check growth of 10.2%.

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 reopened. To-go sales as a percentage of total restaurant sales were 17.1% in 2021 compared to 27.0% in 2020.

Comparable restaurant sales include the benefit of menu price increases of approximately 1.75% and 4.2% implemented in April 2021 and October 2021, respectively, as well as an increase of 1.0% in October 2020.

In 2021, we opened 29 company restaurants, including five Bubba's 33 and one Jaggers restaurant. In 2022, we plan to open approximately 25 Texas Roadhouse and Bubba's 33 company restaurants. On December 29, 2021, the first day of our 2022 fiscal year, we completed the acquisition of seven franchise restaurants for an aggregate purchase price of approximately \$27 million. In total, we expect store week growth of approximately 6.5% in 2022, including the impact of the seven franchise restaurants acquired.

Other sales primarily represent the net impact of amortization of third party gift card fees and gift card breakage income. The net impact was (\$6.1) million and (\$6.8) million for 2021 and 2020, respectively. The increase was primarily related to a favorable breakage adjustment of \$4.8 million recorded in 2021. This adjustment primarily related to a shift in our historic redemption pattern which indicated that the percentage of gift cards sold that are not expected to be redeemed had shifted from 4.0% to 4.5%. As a result, we adjusted the breakage recognized for all gift cards that had not been fully amortized. The impact of this adjustment was offset by increased amortization of third party fees due to the increase in sales through our third party gift card program.

#### *Franchise Royalties and Fees*

Franchise royalties and fees increased by \$6.8 million or 38.0% compared to 2020 due to higher average unit volumes, driven by comparable restaurant sales increases at domestic stores. Comparable restaurant sales at domestic franchise stores increased 37.5% in 2021.

We anticipate our existing franchise partners will open as many as five Texas Roadhouse restaurants in 2022.

#### *Food and Beverage Costs*

Food and beverage costs, as a percentage of restaurant and other sales, increased to 33.6% in 2021 from 32.8% in 2020 primarily due to higher commodity inflation partially offset by the benefit of a higher guest check. Commodity inflation was 10.0% in 2021, primarily driven by higher beef costs.

For 2022, we currently expect commodity cost inflation of approximately 17% for the first half of the year and 12% to 14% for the year with prices locked for approximately 30% of our forecasted costs and the remainder subject to floating market prices.

#### *Restaurant Labor Expenses*

Restaurant labor expense, as a percentage of restaurant and other sales, decreased to 32.7% in 2021 compared to 36.8% in 2020. This decrease was primarily due to an increase in average unit volumes as well as several items related to 2020 including labor inefficiencies as we converted to our hybrid operating model, relief payments and increased benefits provided to our hourly employees. In 2021, the benefit of a higher guest check amount also contributed to the decrease. These decreases were partially offset by higher wage rates primarily due to labor market pressures along with increases in state-mandated minimum and tipped wage rates, the impact of higher employee retention payroll tax credits in the prior year and an increase in workers' compensation expense.

In 2021, we incurred costs of \$4.0 million for relief pay and enhanced benefits to our restaurant-level managers and hourly employees compared to \$20.2 million in 2020.

In 2021, we recognized employee retention payroll tax credits of \$1.2 million compared to \$7.0 million in 2020. No employee retention credits were recognized in the second half of 2021 as we no longer qualified for these credits.

The increase in workers' compensation expense was due to changes in our claims development history included in our quarterly actuarial reserve estimate that resulted in an unfavorable adjustment of \$1.8 million in 2021. This compared to a favorable adjustment of \$1.8 million in 2020.

In 2022, we anticipate our labor costs will continue to be pressured by wage and other labor inflation of approximately 7% driven by labor market pressures, increases in state-mandated minimum and tipped wages and increased investment in our people.

### *Restaurant Rent Expense*

Restaurant rent expense, as a percentage of restaurant and other sales, decreased to 1.7% in 2021 compared to 2.3% in 2020 due to the increase in average unit volumes partially offset by higher rent expense, as a percentage of restaurant and other sales, at our newer restaurants.

### *Restaurant Other Operating Expenses*

Restaurant other operating expenses, as a percentage of restaurant and other sales, decreased to 15.1% in 2021 compared to 17.0% in 2020. The decrease was primarily due to the increase in average unit volumes, lower to-go supplies, and lower general liability insurance expense. The lower supplies expense was due to the prior year period having significantly higher to-go sales due to the closure of our dining rooms. The decrease in general liability insurance expense was due to changes in our claims development history included in our quarterly actuarial reserve estimate that resulted in favorable adjustments totaling \$3.9 million in 2021 compared to unfavorable adjustments totaling \$3.1 million in 2020. In addition, due to the significant increase in our average unit volumes, expenses that are largely fixed, including utilities, property taxes and other outside services decreased as a percentage of restaurant and other sales.

### *Restaurant Pre-opening Expenses*

Pre-opening expenses increased to \$24.3 million in 2021 from \$20.1 million in 2020. The increase was primarily due to the timing and number of restaurant openings as well as a slight increase in average pre-opening expenses incurred. 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, decreased to 3.7% in 2021 compared to 4.9% in 2020. The decrease was primarily due to an increase in average unit volumes partially offset by higher depreciation at newer restaurants.

### *Impairment and Closure Costs, Net*

Impairment and closure costs, net was \$0.7 million and \$2.3 million in 2021 and 2020, respectively. In 2021, impairment and closure costs, net included the impairment of the fixed assets and operating lease right-of-use assets at two restaurants, both of which have relocated or are scheduled to be relocated. 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 were relocated. In addition, we recorded goodwill impairment of \$1.1 million related to two restaurants.

### *General and Administrative Expenses ("G&A")*

G&A, as a percentage of total revenue, decreased to 4.5% in 2021 compared to 5.0% in 2020. The decrease was primarily due to the increase in average unit volumes partially offset by higher incentive and performance-based compensation costs, the prior year favorable impact of the sale of a legal claim for \$3.0 million and higher managing partner conference costs. In 2021, we incurred costs of \$3.0 million for our annual managing partner conference which was not held in 2020.

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, Net*

Interest expense was \$3.7 million compared to \$4.1 million in 2020. The decrease in interest expense was primarily driven by lower interest rates and the repayment of our incremental revolving credit facility partially offset by reduced earnings on our cash and cash equivalents.

*Income Taxes*

Our effective tax rate increased to 13.5% compared to an effective tax rate benefit of 81.4% in 2020. The increase was primarily due to the significant increase in pre-tax income. In 2020, our FICA tip and Work opportunity tax credits exceeded our federal tax liability which resulted in a tax rate benefit. For 2022, we expect our effective tax rate to be approximately 15%, excluding the impact of any legislative changes enacted.

*Segment Information*

We manage our restaurant and franchising operations by concept and as a result have identified Texas Roadhouse, Bubba's 33, Jagers, and our retail initiatives as separate operating segments. Our reportable segments are Texas Roadhouse and Bubba's 33. The Texas Roadhouse reportable segment includes the results of our domestic company Texas Roadhouse restaurants and domestic and international franchise Texas Roadhouse restaurants. The Bubba's 33 reportable segment includes the results of our domestic company Bubba's 33 restaurants. Our remaining operating segments, which include the results of our domestic company Jagers restaurants and the results of our retail initiatives, are included in Other.

Management uses restaurant margin as the measure for assessing performance of our segments. 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 also includes sales and operating costs related to our non-royalty based retail initiatives. Restaurant margin is used by our chief operating decision maker (“CODM”) to evaluate restaurant-level operating efficiency and performance. A reconciliation of income from operations to restaurant margin is included in the Results of Operations section above.

The following table presents a summary of restaurant margin by segment (in thousands):

	<b>Fiscal Year Ended</b>			
	<b>2021</b>		<b>2020</b>	
Texas Roadhouse . . . . .	\$ 552,039	16.9 %	\$ 256,298	11.3 %
Bubba's 33 . . . . .	28,862	16.6	8,416	7.9
Other . . . . .	831	7.6	926	17.2
<b>Total . . . . .</b>	<b>\$ 581,732</b>	<b>16.9 %</b>	<b>\$ 265,640</b>	<b>11.2 %</b>

The increase in Texas Roadhouse and Bubba’s 33 restaurant margin is driven by the increase in restaurant sales partially offset by commodity inflation. The increase in restaurant sales for 2021 was primarily attributable to an increase in average unit volumes, driven by an increase in comparable restaurant sales along with an increase in store weeks. The increase in comparable restaurant sales was driven by the re-opening of our dining rooms, the continued easing of dining room capacity and seating restrictions throughout 2021 and continued strong to-go sales. In addition, restaurant margin at Bubba’s 33 was negatively impacted in 2020 by the impact of increased to-go sales resulting in decreased alcoholic beverage sales.

## 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):

	<u>Fiscal Year Ended</u>	
	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities . . . . .	\$ 468,826	\$ 230,438
Net cash used in investing activities . . . . .	(195,104)	(161,105)
Net cash (used in) provided by financing activities . . . . .	<u>(301,232)</u>	<u>185,943</u>
Net (decrease) increase in cash and cash equivalents. . . . .	<u>\$ (27,510)</u>	<u>\$ 255,276</u>

Net cash provided by operating activities was \$468.8 million in 2021 compared to \$230.4 million in 2020. This increase was primarily due to an increase in net income. The increase was partially offset by our working capital being negatively impacted by the remittance of a portion of our deferred payroll tax liability of \$24.3 million related to the CARES Act.

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

Net cash used in investing activities was \$195.1 million in 2021 compared to \$161.1 million in 2020. The increase was due to an increase in capital expenditures, primarily driven by an increase in new company restaurants and an increase in refurbishments of existing restaurants. This was due to the delay in our development schedule in 2020 due to the pandemic. This increase was partially offset by fewer expenditures related to relocation sites.

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 generally of five to 30 years (including renewal periods) or purchase the land when appropriate. As of December 28, 2021, 148 of the 566 company restaurants have been developed on land which we own.

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

	<u>2021</u>	<u>2020</u>
New company restaurants . . . . .	\$ 123,044	\$ 78,941
Refurbishment or expansion of existing restaurants . . . . .	64,146	47,735
Relocation of existing restaurants . . . . .	8,374	17,917
Capital expenditures related to Support Center office . . . . .	5,128	9,808
Total capital expenditures . . . . .	<u>\$ 200,692</u>	<u>\$ 154,401</u>

Our future capital requirements will primarily depend on the number and mix of new restaurants we open, the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants or relocating existing restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In 2022, we expect our capital expenditures to be approximately \$230 million as we currently plan to open approximately 25 Texas Roadhouse and Bubba's 33 company restaurants. We also expect to have as many as six relocations in 2022. In addition, on the first day of our 2022 fiscal year, we completed the acquisition of seven franchise restaurants for an aggregate purchase price of approximately \$27 million. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities, and if needed, funds available under our amended credit facility.

Net cash used in financing activities was \$301.2 million in 2021 compared to net cash provided by financing activities of \$185.9 million in 2020. The decrease is primarily due to repayments on our amended revolving credit facility, an increase in dividends paid due to the reinstatement of our quarterly dividend payment and an increase in share repurchases.

In 2021, we repaid \$140.0 million that was previously outstanding on our amended revolving credit facility. In

2020, we increased our borrowings by \$240.0 million as a precautionary measure in order to bolster our cash position and enhance financial flexibility in response to the pandemic.

On April 28, 2021, our Board of Directors reinstated the payment of a quarterly cash dividend of \$0.40 per share of common stock which was distributed on June 4, 2021. This was the first dividend since the Board of Directors voted to suspend the payment of quarterly cash dividends at the onset of the pandemic. In 2021 and 2020, the Company paid \$83.7 million and \$25.0 million, respectively, in dividends to shareholders. On February 17, 2022, our Board of Directors declared a quarterly cash dividend of \$0.46 per share of common stock.

On May 31, 2019, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$250.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on May 22, 2014. All repurchases to date under our stock repurchase programs have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. On August 2, 2021, the Company resumed the share repurchase program that was suspended in 2020 at the onset of the pandemic. During 2021 and 2020, we paid \$51.6 million and \$12.6 million to repurchase 584,932 shares and 252,409 shares of our common stock, respectively. As of December 28, 2021, \$96.1 million remains authorized for stock repurchases.

We paid distributions of \$8.2 million and \$3.4 million in 2021 and 2020, respectively, to noncontrolling interest holders of our 20 majority-owned company restaurants.

On May 4, 2021, we entered into an agreement to amend our revolving credit facility with a syndicate of commercial lenders led by JPMorgan Chase Bank, N.A. and PNC Bank, N.A. The amended revolving credit facility remains an unsecured, revolving credit agreement and has a borrowing capacity of up to \$300.0 million with the option to increase by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. The amendment also extended the maturity date to May 1, 2026.

Prior to the amendment, our original revolving credit facility had a borrowing capacity of up to \$200.0 million with the option to increase by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. On May 11, 2020, we amended the original 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 original revolving credit facility.

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

As of December 28, 2021, we had \$100.0 million outstanding on the amended revolving credit facility and \$189.1 million of availability, net of \$10.9 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our consolidated balance sheet.

As of December 29, 2020, we had \$190.0 million outstanding on the amended revolving credit facility which is included as long-term debt on our consolidated balance sheet. In addition, we had \$50.0 million outstanding on the incremental revolving credit facility which is included as current maturities of long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the amended revolving credit facility as of December 28, 2021 and December 29, 2020 was 0.98% and 1.98%, respectively.

The lenders' obligation to extend credit pursuant to the amended revolving credit facility depends on us maintaining certain financial covenants. We were in compliance with all financial covenants as of December 28, 2021 and December 29, 2020.

## Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 28, 2021 (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 . . . . .	\$ 100,000	\$ —	—	\$ 100,000	\$ —
Obligations under finance leases . . . . .	2,743	—	—	—	2,743
Interest(1) . . . . .	9,067	1,288	2,582	1,926	3,271
Operating lease obligations . . . . .	1,112,481	60,958	122,548	118,500	810,475
Capital obligations . . . . .	135,028	135,028	—	—	—
Total contractual obligations(2) . . . . .	<u>\$ 1,359,319</u>	<u>\$ 197,274</u>	<u>\$ 125,130</u>	<u>\$ 220,426</u>	<u>\$ 816,489</u>

(1) Includes interest on our revolving credit facility and interest on our financing leases. We used the interest rate on our amended revolving credit facility as of December 28, 2021 for our variable rate debt and assumed \$100.0 million remains outstanding on our amended revolving credit facility through the respective maturity for all borrowings. We assumed a constant interest rate until maturity on our financing leases.

(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.

## Guarantees

As of December 28, 2021 and December 29, 2020, we were contingently liable for \$12.2 million and \$13.0 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 liabilities have been recorded as of December 28, 2021 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1) . . . . .	September 2002	February 2023
Longmont, Colorado (1) . . . . .	October 2003	May 2029
Montgomeryville, Pennsylvania (1) . . . . .	October 2004	March 2026
Fargo, North Dakota (1) . . . . .	February 2006	July 2026
Logan, Utah (1) . . . . .	January 2009	August 2024
Irving, Texas (2) . . . . .	December 2013	December 2024
Louisville, Kentucky (2)(3) . . . . .	December 2013	November 2023

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

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

(3) We may be released from liability after the initial 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 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 2021, as a result of our quarterly impairment analysis, we recorded a total charge of \$0.7 million related to the impairment of the fixed assets and operating lease right-of-use assets at two restaurants, both 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 2021, 2020 and 2019.

*Goodwill.* Goodwill is tested annually for impairment and is tested more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the fair value of the reporting unit. Goodwill is required to be tested for impairment at the reporting unit level, or the level of internal reporting that reflects the way in which an entity manages its businesses. A reporting unit is defined as an operating segment, or one level below an operating segment. An entity may first assess qualitative factors in order to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. The entity may also elect to bypass the qualitative assessment and 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. 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.

At December 28, 2021, our Texas Roadhouse reporting unit had allocated goodwill of \$127.0 million. No other reporting units had goodwill balances. Historically, we designated our operating segment and reporting unit to be at the same level which we defined to be the individual restaurant. In 2021, due to a change in our management reporting structure, we changed the designation of our operating segment and reporting unit to be at the concept level. As a result of this change, we performed the goodwill impairment analysis at both the individual restaurant and concept level to substantiate that our goodwill was not impaired under either reporting unit definition.

In performing the qualitative assessment, we reviewed factors such as results of prior impairment tests, impacts of the pandemic, macroeconomic conditions, industry and market considerations, cost factors of materials, labor, and other

items, financial performance, operational stability, competitive environment, and share price performance. Based on the financial performance of the Texas Roadhouse concept, as well as the improved operating environment in 2021, no indicators of impairment were identified. Changes in circumstances existing at the measurement date or at other times in the future could result in an impairment loss. See note 16 in the consolidated financial statements for further discussion regarding closures and impairments recorded in 2021, 2020 and 2019.

### **Effects of Inflation**

We are currently operating in a period of high inflation, led by commodity cost inflation which primarily relates to beef. This is due to increased costs incurred by our vendors related to high labor, transportation, packaging, and raw materials costs. Some of the impacts of the inflation have been offset by menu price increases and other adjustments made during the year. 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. The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 0.875% to 1.875% and pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, in each case depending on our leverage ratio. The amended revolving credit facility also provides an Alternate Base Rate that may be substituted for LIBOR. As of December 28, 2021, we had \$100.0 million outstanding on our amended credit agreement. This outstanding amount is included as long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the \$100.0 million outstanding on our amended revolving credit facility as of December 28, 2021 was 0.98%. Should interest rates based on these variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by \$1.0 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. To date, we have been able to properly manage any supply shortages but have experienced increased costs. If these vendors are unable to fulfill their obligations under their contracts, we may encounter further supply shortages and/or higher costs to secure adequate supply and a possible loss of sales, 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 28, 2021.

### **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 28, 2021 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 28, 2021.

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 28, 2021 as stated in their report at F-3.

## **ITEM 9B—OTHER INFORMATION**

None.

## **ITEM 9C—DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

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 1, 2022.

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 1, 2022.

### ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from our Definitive Proxy Statement to be dated on or about April 1, 2022.

### 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 1, 2022.

#### Equity Compensation Plan Information

As of December 28, 2021, 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.

<u>Plan Category</u>	<u>Shares to Be Issued Upon Vest Date (1)</u>	<u>Shares Available for Future Grants</u>
Plans approved by stockholders . . . . .	590,135	6,840,041
Plans not approved by stockholders . . . . .	—	—
Total . . . . .	<u>590,135</u>	<u>6,840,041</u>

(1) Total number of shares consist of 558,183 restricted stock units and 31,952 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 28, 2021.

### 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 1, 2022.

### ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from our Definitive Proxy Statement to be dated on or about April 1, 2022.



## PART IV

### ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### 1. Consolidated Financial Statements

Description	Page Number in Report
Reports of Independent Registered Public Accounting Firm (PCAOB ID: 185) . . . . .	F-1
Consolidated Balance Sheets as of December 28, 2021 and December 29, 2020 . . . . .	F-5
Consolidated Statements of Income and Comprehensive Income for the years ended December 28, 2021, December 29, 2020 and December 31, 2019 . . . . .	F-6
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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	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 Indemnification Agreement for Director and Executive Officer
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 28, 2021 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 28, 2021 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))
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))

Exhibit No.	Description
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*	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))
10.10*	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))
10.11*	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))
10.12*	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))
10.13*	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))
10.14*	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))
10.15	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))
10.16	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))
10.17	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))
10.18	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))
10.19	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))
10.20*	Employment Agreement between Registrant and Gerald L. Morgan entered into as of December 17, 2020 (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.21*	Employment Agreement between Registrant and W. Kent Taylor entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.22*	Employment Agreement between Registrant and Doug Thompson entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.23*	Employment Agreement between Registrant and S. Chris Jacobsen entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))

Exhibit No.	Description
10.24*	Employment Agreement between Registrant and Tonya Robinson entered into as of December 30, 2020 (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2020 (File No. 000-50972))
10.25*	Employment Agreement between Registrant and Christopher C. Colson entered into as of March 31, 2021 (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q for the period ended March 30, 2021 (File No. 000- 50972))
10.26*	First Amendment to Employment Agreement between Texas Roadhouse Management Corp. and Gerald L. Morgan dated March 31, 2021, with a retroactive effective date of March 18, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 31, 2021 (File No. 000-50972))
10.27*	Employment Agreement between Registrant and Regina A. Tobin entered into as of June 15, 2021 with an effective date of June 30, 2021 (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 29, 2021 (File No. 000- 50972))
10.28*	Employment Agreement between Registrant and Hernan E. Mujica entered into as of June 15, 2021 with an effective date of June 30, 2021 (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 29, 2021 (File No. 000- 50972))
10.29	Second Amendment to Amended and Restated Credit Agreement dated as of May 4, 2021 by and among Texas Roadhouse, Inc. and the lenders named therein and JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 4, 2021 (File No. 000-50972))
10.30*	Texas Roadhouse, Inc. 2021 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 2, 2021 (File No. 000-50972))
10.31*	Form of Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan Performance Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K dated June 15, 2021 (File No. 000-50972))
10.32*	Form of Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan Restricted Stock Unit Award Agreement (Officers) (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K dated June 15, 2021 (File No. 000-50972))
10.33*	Form of Texas Roadhouse, Inc. 2021 Long-Term Incentive Plan Restricted Stock Unit Award Agreement (Member of Board of Directors) (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K dated June 15, 2021 (File No. 000-50972))
10.34*	Separation Agreement between Registrant and Douglas W. Thompson entered into as of December 3, 2021 (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K dated December 3, 2021 (File No. 000-50972))
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 28, 2021, filed February 25, 2022, 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/ GERALD L. MORGAN

*President, Chief Executive  
Officer, Director*

Date: February 25, 2022

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ GERALD L. MORGAN</u> W. Gerald L. Morgan	President, Chief Executive Officer, Director (Principal Executive Officer)	February 25, 2022
<u>/s/ TONYA R. ROBINSON</u> Tonya R. Robinson	Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	February 25, 2022
<u>/s/ GREGORY N. MOORE</u> Gregory N. Moore	Chairman of the Board, Director	February 25, 2022
<u>/s/ MICHAEL A. CRAWFORD</u> Michael A. Crawford	Director	February 25, 2022
<u>/s/ DONNA E. EPPS</u> Donna E. Epps	Director	February 25, 2022
<u>/s/ CURTIS A. WARFIELD</u> Curtis A. Warfield	Director	February 25, 2022
<u>/s/ KATHLEEN M. WIDMER</u> Kathleen M. Widmer	Director	February 25, 2022
<u>/s/ JAMES R. ZARLEY</u> James R. Zarley	Director	February 25, 2022

## 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 28, 2021 and December 29, 2020, 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 28, 2021, 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 28, 2021 and December 29, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 28, 2021, 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 28, 2021, 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 25, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

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

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

### *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 28, 2021 were \$1,162.4 million and \$578.4 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 and the utilization of the trailing 12-month cash flows to identify a potential impairment trigger.

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. 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 25, 2022

## 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 28, 2021, 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 28, 2021, 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 28, 2021 and December 29, 2020, 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 28, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2022 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. 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 25, 2022



**Texas Roadhouse, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

**(in thousands, except share and per share data)**

	<u>December 28, 2021</u>	<u>December 29, 2020</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 335,645	\$ 363,155
Receivables, net of allowance for doubtful accounts of \$17 at December 28, 2021 and \$11 at December 29, 2020 . . . . .	161,358	98,418
Inventories, net . . . . .	31,595	22,364
Prepaid income taxes . . . . .	10,701	4,502
Prepaid expenses and other current assets . . . . .	24,226	22,212
Total current assets . . . . .	<u>563,525</u>	<u>510,651</u>
Property and equipment, net of accumulated depreciation of \$869,375 at December 28, 2021 and \$763,700 at December 29, 2020 . . . . .	1,162,441	1,088,623
Operating lease right-of-use assets, net . . . . .	578,413	530,625
Goodwill . . . . .	127,001	127,001
Intangible assets, net of accumulated amortization of \$15,092 at December 28, 2021 and \$14,341 at December 29, 2020 . . . . .	1,520	2,271
Other assets . . . . .	79,052	65,990
Total assets . . . . .	<u>\$ 2,511,952</u>	<u>\$ 2,325,161</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of operating lease liabilities . . . . .	\$ 21,952	\$ 19,271
Current maturities of long-term debt . . . . .	—	50,000
Accounts payable . . . . .	95,234	66,977
Deferred revenue-gift cards . . . . .	300,657	232,812
Accrued wages and payroll taxes . . . . .	64,716	51,982
Income taxes payable . . . . .	85	2,859
Accrued taxes and licenses . . . . .	33,375	24,751
Other accrued liabilities . . . . .	86,125	57,666
Total current liabilities . . . . .	<u>602,144</u>	<u>506,318</u>
Operating lease liabilities, net of current portion . . . . .	622,892	572,171
Long-term debt . . . . .	100,000	190,000
Restricted stock and other deposits . . . . .	8,027	7,481
Deferred tax liabilities, net . . . . .	11,734	2,802
Other liabilities . . . . .	93,671	103,338
Total liabilities . . . . .	<u>1,438,468</u>	<u>1,382,110</u>
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding) . . . . .	—	—
Common stock (\$0.001 par value, 100,000,000 shares authorized, 69,382,418 and 69,561,861 shares issued and outstanding at December 28, 2021 and December 29, 2020, respectively) . . . . .	69	70
Additional paid-in-capital . . . . .	114,504	145,626
Retained earnings . . . . .	943,551	781,915
Accumulated other comprehensive loss . . . . .	—	(106)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity . . . . .	<u>1,058,124</u>	<u>927,505</u>
Noncontrolling interests . . . . .	15,360	15,546
Total equity . . . . .	<u>1,073,484</u>	<u>943,051</u>
Total liabilities and equity . . . . .	<u>\$ 2,511,952</u>	<u>\$ 2,325,161</u>

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)

	<b>Fiscal Year Ended</b>		
	<b>December 28, 2021</b>	<b>December 29, 2020</b>	<b>December 31, 2019</b>
Revenue:			
Restaurant and other sales .....	\$ 3,439,176	\$ 2,380,177	\$ 2,734,177
Franchise royalties and fees .....	24,770	17,946	21,986
Total revenue .....	<u>3,463,946</u>	<u>2,398,123</u>	<u>2,756,163</u>
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Food and beverage .....	1,156,628	780,646	883,357
Labor .....	1,123,003	875,764	905,614
Rent .....	60,005	54,401	52,531
Other operating .....	517,808	403,726	418,448
Pre-opening .....	24,335	20,099	20,156
Depreciation and amortization .....	126,761	117,877	115,544
Impairment and closure, net .....	734	2,263	(899)
General and administrative .....	157,480	119,503	149,389
Total costs and expenses .....	<u>3,166,754</u>	<u>2,374,279</u>	<u>2,544,140</u>
Income from operations .....	297,192	23,844	212,023
Interest expense (income), net .....	3,663	4,091	(1,514)
Equity (loss) income from investments in unconsolidated affiliates .....	(637)	(500)	378
Income before taxes .....	292,892	19,253	213,915
Income tax expense (benefit) .....	39,578	(15,672)	32,397
Net income including noncontrolling interests .....	253,314	34,925	181,518
Less: Net income attributable to noncontrolling interests .....	8,020	3,670	7,066
Net income attributable to Texas Roadhouse, Inc. and subsidiaries .....	<u>\$ 245,294</u>	<u>\$ 31,255</u>	<u>\$ 174,452</u>
Other comprehensive income, net of tax:			
Foreign currency translation adjustment, net of tax of (\$36), (\$40) and (\$1), respectively .....	106	119	3
Total comprehensive income .....	<u>\$ 245,400</u>	<u>\$ 31,374</u>	<u>\$ 174,455</u>
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic .....	<u>\$ 3.52</u>	<u>\$ 0.45</u>	<u>\$ 2.47</u>
Diluted .....	<u>\$ 3.50</u>	<u>\$ 0.45</u>	<u>\$ 2.46</u>
Weighted average shares outstanding:			
Basic .....	<u>69,709</u>	<u>69,438</u>	<u>70,509</u>
Diluted .....	<u>70,098</u>	<u>69,893</u>	<u>70,916</u>
Cash dividends declared per share .....	<u>\$ 1.20</u>	<u>\$ 0.36</u>	<u>\$ 1.20</u>

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 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, <i>Leases</i> , net of tax . . . . .	—	—	—	(2,678)	—	(2,678)	—	(2,678)
Share-based compensation . . . . .	—	—	35,500	—	—	35,500	—	35,500
Balance, December 31, 2019. . . . .	<u>69,400,252</u>	<u>\$ 69</u>	<u>\$ 140,501</u>	<u>\$ 775,649</u>	<u>\$ (225)</u>	<u>\$ 915,994</u>	<u>\$ 15,175</u>	<u>\$ 931,169</u>
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. . . . .	<u>69,561,861</u>	<u>\$ 70</u>	<u>\$ 145,626</u>	<u>\$ 781,915</u>	<u>\$ (106)</u>	<u>\$ 927,505</u>	<u>\$ 15,546</u>	<u>\$ 943,051</u>
Net income. . . . .	—	—	—	245,294	—	245,294	8,020	253,314
Other comprehensive income, net of tax. . . . .	—	—	—	—	106	106	—	106
Distributions to noncontrolling interest holders . . . . .	—	—	—	—	—	—	(8,206)	(8,206)
Dividends declared (\$1.20 per share) . . . . .	—	—	—	(83,658)	—	(83,658)	—	(83,658)
Shares issued under share-based compensation								
plans including tax effects. . . . .	595,534	—	—	—	—	—	—	—
Indirect repurchase of shares for minimum								
tax withholdings . . . . .	(190,045)	—	(17,628)	—	—	(17,628)	—	(17,628)
Repurchase of shares of common stock . . . . .	(584,932)	(1)	(51,633)	—	—	(51,634)	—	(51,634)
Share-based compensation . . . . .	—	—	38,139	—	—	38,139	—	38,139
Balance, December 28, 2021. . . . .	<u>69,382,418</u>	<u>\$ 69</u>	<u>\$ 114,504</u>	<u>\$ 943,551</u>	<u>\$ —</u>	<u>\$ 1,058,124</u>	<u>\$ 15,360</u>	<u>\$ 1,073,484</u>

See accompanying notes to Consolidated Financial Statements.

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

	<u>December 28, 2021</u>	<u>December 29, 2020</u>	<u>December 31, 2019</u>
<b>Cash flows from operating activities:</b>			
Net income including noncontrolling interests . . . . .	\$ 253,314	\$ 34,925	\$ 181,518
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	126,761	117,877	115,544
Deferred income taxes . . . . .	8,896	(19,932)	6,335
Loss on disposition of assets . . . . .	3,167	3,144	5,885
Impairment and closure costs . . . . .	673	2,290	(1,283)
Equity loss (income) from investments in unconsolidated affiliates . . . . .	637	500	(378)
Distributions of income received from investments in unconsolidated affiliates . . . . .	1,071	329	1,837
Provision for doubtful accounts . . . . .	7	(1)	(22)
Share-based compensation expense . . . . .	38,139	29,431	35,500
Changes in operating working capital:			
Receivables . . . . .	(62,399)	1,058	(5,774)
Inventories . . . . .	(9,231)	(2,017)	(1,414)
Prepaid expenses and other current assets . . . . .	(2,485)	(2,133)	(2,049)
Other assets . . . . .	(13,918)	(12,698)	(12,823)
Accounts payable . . . . .	27,730	490	407
Deferred revenue—gift cards . . . . .	67,845	23,458	16,991
Accrued wages and payroll taxes . . . . .	12,734	12,283	5,540
Prepaid income taxes and income taxes payable . . . . .	(8,973)	372	5,554
Accrued taxes and licenses . . . . .	8,624	(5,700)	5,802
Other accrued liabilities . . . . .	20,352	4,099	(3,773)
Operating lease right-of-use assets and lease liabilities . . . . .	5,553	4,635	5,826
Other liabilities . . . . .	(9,671)	38,028	15,075
Net cash provided by operating activities . . . . .	<u>468,826</u>	<u>230,438</u>	<u>374,298</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures—property and equipment . . . . .	(200,692)	(154,401)	(214,340)
Acquisition of franchise restaurants, net of cash acquired . . . . .	—	(10,580)	(1,536)
Proceeds from sale of property and equipment . . . . .	—	1,709	1,056
Proceeds from sale leaseback transactions . . . . .	5,588	2,167	—
Net cash used in investing activities . . . . .	<u>(195,104)</u>	<u>(161,105)</u>	<u>(214,820)</u>
<b>Cash flows from financing activities:</b>			
(Payments on) proceeds from revolving credit facility, net . . . . .	(140,000)	240,000	—
Debt issuance costs . . . . .	(708)	(641)	—
Proceeds from noncontrolling interest contribution . . . . .	—	133	—
Distributions to noncontrolling interest holders . . . . .	(8,206)	(3,432)	(6,357)
Acquisition of noncontrolling interest . . . . .	—	—	(743)
Proceeds from (payments on) restricted stock and other deposits, net . . . . .	602	(823)	62
Indirect repurchase of shares for minimum tax withholdings . . . . .	(17,628)	(11,684)	(12,471)
Repurchase of shares of common stock . . . . .	(51,634)	(12,621)	(139,849)
Dividends paid to shareholders . . . . .	(83,658)	(24,989)	(102,366)
Net cash (used in) provided by financing activities . . . . .	<u>(301,232)</u>	<u>185,943</u>	<u>(261,724)</u>
Net (decrease) increase in cash and cash equivalents . . . . .	<u>(27,510)</u>	<u>255,276</u>	<u>(102,246)</u>
Cash and cash equivalents—beginning of period . . . . .	363,155	107,879	210,125
Cash and cash equivalents—end of period . . . . .	<u>\$ 335,645</u>	<u>\$ 363,155</u>	<u>\$ 107,879</u>
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized . . . . .	\$ 3,186	\$ 3,890	\$ 738
Income taxes paid . . . . .	\$ 39,789	\$ 3,776	\$ 20,440
Capital expenditures included in current liabilities . . . . .	\$ 23,087	\$ 14,808	\$ 15,416

See accompanying notes to Consolidated Financial Statements.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### (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 28, 2021 and December 29, 2020 and for each of the years in the three-year period ended December 28, 2021.

As of December 28, 2021, we owned and operated 566 restaurants and franchised an additional 101 restaurants in 49 states and ten foreign countries. Of the 566 company restaurants that were operating at December 28, 2021, 546 were wholly-owned and 20 were majority-owned. Of the 101 franchise restaurants, 70 were domestic and 31 were international restaurants.

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.

#### *Risks and Uncertainties*

The Company has been subject to risks and uncertainties as a result of the COVID-19 pandemic (the "pandemic"). These include federal, state and local restrictions on restaurants, some of which have limited capacity or seating in the dining rooms while others have allowed to-go or curbside service only. As of December 28, 2021, all of our domestic company and franchise locations were operating without restriction. As of December 29, 2020, all of our domestic company and franchise locations were operating their dining rooms under various limited capacity restrictions or were limited to outdoor and/or to-go or curbside service only.

As a result of these restrictions, we developed a hybrid operating model to accommodate our dining room restrictions together with enhanced to-go. We continue to see sales in our to-go program higher than pre-pandemic levels, even with dining rooms operating without restriction. We cannot predict how long we will continue to be impacted by the pandemic, the extent to which our dining rooms will have to close again or otherwise have limited seating, or if the increased sales in our to-go program will continue. The extent to which COVID-19 impacts our business, results of operations, or financial condition will depend on future developments which are outside of our control. This includes, without limitation, the efficacy and public acceptance of vaccination programs and/or testing mandates in curbing the spread of the virus, the introduction and spread of new variants of the virus, which may prove resistant to currently approved vaccines, and new or reinstated restrictions or regulations on our operations. 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 28, 2021 and December 29, 2020, we owned a 5.0% to 10.0% equity interest in 24 restaurants. Additionally, 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 were 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. The investment balance related to our joint venture agreement in China was fully impaired in 2021 as the related restaurants closed during the year. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### **(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 2021 and 2020 were 52 weeks in length and fiscal year 2019 was 53 weeks in length. In fiscal year 2019, the 53<sup>rd</sup> 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) Segment Reporting**

Operating segments are defined as components of a company that engage in business activities from which it may earn revenues and incur expenses, and for which separate financial information is available and is regularly reviewed by the chief operating decision maker ("CODM"), to assess the performance of the individual segments and make decisions about resources to be allocated to the segments. The Company's operating segments have been identified in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 280, *Segment Reporting*.

Historically, the Company identified each restaurant as an operating segment and aggregated them into a single reportable segment. In 2021, due to a change in our management reporting structure, we have identified our concepts as separate operating segments. These operating segments include Texas Roadhouse, Bubba's 33, Jagers and our retail initiatives. In addition, we have identified Texas Roadhouse and Bubba's 33 as reportable segments. This change did not have an impact on our consolidated operating results. For further discussion of segment reporting, see note 18.

#### **(d) 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 \$26.4 million and \$18.1 million at December 28, 2021 and December 29, 2020, respectively, because the balances are settled within two to three business days.

#### **(e) 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.

#### **(f) Inventories**

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

#### **(g) Property and Equipment**

Property and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on property and equipment, including assets located on leased properties, over the shorter of the estimated useful lives of the related assets or the underlying lease term using the straight-line method. In most cases, assets on leased properties are

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

depreciated over a period of time which includes both the initial term of the lease and one or more option periods. See note 2(h) 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 \$31.7 million, \$25.2 million and \$27.9 million for the years ended December 28, 2021, December 29, 2020 and December 31, 2019, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

#### (h) 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.

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. The present value is based on our incremental borrowing rate which considers our credit rating for a secured or collateralized instrument. 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.

#### (i) Goodwill

Goodwill represents the excess of cost over fair value of assets of businesses acquired. In accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"), goodwill is not subject to amortization and is evaluated for impairment on an annual basis, or sooner if an event or other circumstance indicates that goodwill may be impaired. The annual assessment date is the first day of our fourth quarter.

ASC 350 requires that goodwill be tested for impairment at the reporting unit level, or the level of internal reporting that reflects the way in which an entity manages its businesses. A reporting unit is defined as an operating segment, or one level below an operating segment. Historically, we designated our operating segment and reporting unit to be at the same level which we defined to be the individual restaurant. In 2021, we changed the designation of our operating segment and reporting unit to be at the concept level. As a result of this change, we performed the goodwill impairment analysis at both the individual restaurant and concept level to substantiate that our goodwill was not impaired under either reporting unit definition.

As stated in ASC 350, an entity may first assess qualitative factors in order to determine if it is necessary to perform the quantitative test. In 2021, we elected to perform a qualitative assessment for our annual review of goodwill. This review included evaluating factors such as macroeconomic conditions, industry and market considerations, cost factors, changes in management or key personnel, sustained decreases in share price and the overall financial performance of the Company's reporting units at both the individual restaurant and concept level. As a result of the qualitative assessment, no indicators of impairment were identified, and no additional indicators of impairment were identified through the end of the fourth quarter that would require additional testing.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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, we determined that there was no goodwill impairment. Refer to note 7 for additional information related to goodwill and intangible assets.

#### (j) 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.

#### (k) 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.

#### (l) 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.....	\$400,000

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.



## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### **(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 \$21.1 million, \$13.8 million and \$18.3 million for the years ended December 28, 2021, December 29, 2020 and December 31, 2019, 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 U.S. generally accepted accounting principle ("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

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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. In 2021, we fully impaired our foreign investment and recognized the corresponding foreign currency translation adjustment of \$0.1 million in net income.

#### **(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**

##### ***Income Taxes***

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

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removed certain exceptions related to the approach for intraperiod tax allocations, the calculation of income taxes in interim periods, and the recognition of deferred taxes for investments. This guidance also simplified aspects of accounting for recognizing deferred taxes for taxable goodwill. We adopted ASU 2019-12 as of the beginning of our 2021 fiscal year. The adoption of this standard did not have a significant impact 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.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### (3) Revenue

The following table disaggregates our revenue by major source:

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Restaurant and other sales .....	\$ 3,439,176	\$ 2,380,177	\$ 2,734,177
Franchise royalties .....	21,770	15,542	19,445
Franchise fees .....	3,000	2,404	2,541
Total revenue .....	\$ 3,463,946	\$ 2,398,123	\$ 2,756,163

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. In the current year, a shift in our historic redemption pattern indicated that the percentage of gift cards sold that are not expected to be redeemed had changed from 4.0% to 4.5%. As a result, we adjusted the breakage recognized for all gift cards that had not been fully amortized and recorded a favorable breakage adjustment of \$4.8 million.

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 28, 2021, December 29, 2020 and December 31, 2019, we recognized gift card fees, net of gift card breakage income, of \$6.1 million, \$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 28, 2021 and December 29, 2020, our deferred revenue balance related to gift cards was \$300.7 million and \$232.8 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 \$140.1 million for the year ended December 28, 2021 related to the amount in deferred revenue as of December 29, 2020. 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.

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

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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 28, 2021 and December 29, 2020. We recognized revenue of \$0.3 million and \$0.4 million for the years ended December 28, 2021 and December 29, 2020, respectively, related to the amounts in deferred revenue as of December 29, 2020 and December 31, 2019, respectively.

#### (4) Acquisitions

In 2021, we did not acquire any franchise restaurants. In 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*. These acquisitions generated goodwill of \$3.3 million, which is not amortizable for book purposes, but is deductible for tax purposes. The goodwill was assigned to the Texas Roadhouse reportable segment. 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.

#### (5) Long-term Debt

On May 4, 2021, we entered into an agreement to amend our revolving credit facility with a syndicate of commercial lenders led by JPMorgan Chase Bank, N.A. and PNC Bank, N.A. The amended revolving credit facility remains an unsecured, revolving credit agreement and has a borrowing capacity of up to \$300.0 million with the option to increase by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. The amendment also extended the maturity date to May 1, 2026.

Prior to the amendment, our original revolving credit facility had a borrowing capacity of up to \$200.0 million with the option to increase by an additional \$200.0 million subject to certain limitations, including approval by the syndicate of lenders. On May 11, 2020, we amended the original 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 original revolving credit facility.

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

As of December 28, 2021, we had \$100.0 million outstanding on the amended revolving credit facility and \$189.1 million of availability, net of \$10.9 million of outstanding letters of credit. This outstanding amount is included as long-term debt on our consolidated balance sheet.

As of December 29, 2020, we had \$190.0 million outstanding on the original revolving credit facility which is included as long-term debt on our consolidated balance sheet. In addition, we had \$50.0 million outstanding on the incremental revolving credit facility which is included as current maturities of long-term debt on our consolidated balance sheet.

The weighted-average interest rate for the \$100.0 million outstanding as of December 28, 2021 was 0.98%. The weighted-average interest rate for the \$240.0 million of combined borrowings as of December 29, 2020 was 1.98%.

**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

The lenders' obligation to extend credit pursuant to the amended revolving credit facility depends on us maintaining certain financial covenants. We were in compliance with all financial covenants as of December 28, 2021 and December 29, 2020.

**(6) Property and Equipment, Net**

Property and equipment were as follows:

	<b>December 28, 2021</b>	<b>December 29, 2020</b>
Land and improvements . . . . .	\$ 144,182	\$ 143,482
Buildings and leasehold improvements . . . . .	1,092,776	1,003,014
Furniture, fixtures and equipment . . . . .	732,160	661,878
Construction in progress . . . . .	50,809	32,362
Liquor licenses . . . . .	11,889	11,587
	2,031,816	1,852,323
Accumulated depreciation and amortization . . . . .	(869,375)	(763,700)
	<b>\$ 1,162,441</b>	<b>\$ 1,088,623</b>

For the years ended December 28, 2021 and December 29, 2020, the amount of interest capitalized in connection with restaurant construction was \$0.2 million and \$0.3 million, respectively. There was no interest capitalized in connection with restaurant construction for the year ended December 31, 2019.

**(7) Goodwill and Intangible Assets**

All of our goodwill and intangible assets reside within the Texas Roadhouse reportable segment. The changes in the carrying amount of goodwill and intangible assets are as follows:

	<b>Goodwill</b>	<b>Intangible Assets</b>
Balance as of December 31, 2019 (1) . . . . .	\$ 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
Additions . . . . .	—	—
Amortization expense . . . . .	—	(751)
Disposals and other, net . . . . .	—	—
Impairment . . . . .	—	—
Balance as of December 28, 2021 . . . . .	<b>\$ 127,001</b>	<b>\$ 1,520</b>

(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 28, 2021 were \$16.6 million and \$15.1 million, respectively. As of December 29, 2020, the gross carrying amount and accumulated amortization of the intangible assets was \$16.6 million and \$14.3 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 \$0.7 million. Refer to note 4 for discussion of the acquisitions completed for the year ended December 29, 2020.

**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

**(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 28, 2021 and December 29, 2020, these amounts were as follows:

	As of December 28, 2021		
	Real estate	Equipment	Total
Operating lease right-of-use assets . . . . .	\$ 574,356	\$ 4,057	\$ 578,413
Current portion of operating lease liabilities . . . . .	20,577	1,375	21,952
Operating lease liabilities, net of current portion . . . . .	620,210	2,682	622,892
Total operating lease liabilities . . . . .	\$ 640,787	\$ 4,057	\$ 644,844
	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

**Texas Roadhouse, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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

Information related to our real estate operating leases as of and for the fiscal year ended December 28, 2021 and December 29, 2020 was as follows:

	Fiscal Year Ended	
	December 28, 2021	December 29, 2020
<b>Real estate costs</b>		
Operating lease	\$ 62,430	\$ 58,425
Variable lease	3,767	1,479
Short-term lease	—	90
Total lease costs	<u>\$ 66,197</u>	<u>\$ 59,994</u>
<b>As of December 28, 2021</b>		
<b>Real estate lease liabilities maturity analysis</b>		<u>\$ 60,958</u>
2022		61,235
2023		61,313
2024		59,313
2025		59,187
2026		810,475
Thereafter		<u>\$ 1,112,481</u>
Total		<u>471,694</u>
Less interest		<u>\$ 640,787</u>
Total discounted operating lease liabilities		<u>\$ 640,787</u>
	Fiscal Year Ended	
	December 28, 2021	December 29, 2020
<b>Real estate leases other information</b>		
Cash paid for amounts included in measurement of operating lease liabilities	\$ 57,040	\$ 52,904
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 68,921	\$ 50,322
Weighted-average remaining lease term (years)	17.88	17.78
Weighted-average discount rate	6.46 %	6.71 %

Operating lease payments exclude \$13.7 million of future minimum lease payments for executed real estate leases of which we have not yet taken possession. In addition to the above operating leases, as of December 28, 2021, we had two finance leases with a right-of-use asset balance and lease liability balance of \$2.2 million and \$2.7 million, respectively. 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 2021, we entered into three sale leaseback transactions involving land that had recently been acquired. These sales generated proceeds of \$5.6 million and no gain or loss was recognized on the transactions. The resulting operating leases are included in the operating lease right-of-use assets and lease liabilities noted above.

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.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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 total 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.

#### (9) Income Taxes

Components of our income tax expense (benefit) for the years ended December 28, 2021, December 29, 2020 and December 31, 2019 are as follows:

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Current:			
Federal .....	\$ 16,700	\$ (648)	\$ 15,643
State .....	13,539	4,505	10,050
Foreign .....	443	403	369
Total current .....	30,682	4,260	26,062
Deferred:			
Federal .....	7,391	(16,859)	4,396
State .....	1,505	(3,073)	1,939
Total deferred .....	8,896	(19,932)	6,335
Income tax expense (benefit) .....	\$ 39,578	\$ (15,672)	\$ 32,397

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 28, 2021, December 29, 2020 and December 31, 2019 is as follows:

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Tax at statutory federal rate . . . . .	21.0 %	21.0 %	21.0 %
State and local tax, net of federal benefit . . . . .	3.8	3.6	3.8
FICA tip tax credit . . . . .	(9.3)	(92.5)	(9.4)
Work opportunity tax credit . . . . .	(1.2)	(12.4)	(1.5)
Stock compensation . . . . .	(1.5)	(2.3)	(0.1)
Net income attributable to			
noncontrolling interests . . . . .	(0.5)	(3.0)	(0.6)
Officers compensation . . . . .	1.1	2.6	1.2
Other . . . . .	0.1	1.6	0.7
Total . . . . .	13.5 %	(81.4)%	15.1 %

Our effective tax rate increased to 13.5% compared to an effective tax rate benefit of 81.4% in 2020. The increase was primarily due to the significant increase in pre-tax income. In 2020, our FICA tip and Work opportunity tax credits exceeded our federal tax liability which resulted in a tax rate benefit.

Our effective tax rate was a benefit 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. Although these credits exceeded our federal tax liability in 2020, we expect to utilize these credits in future years.

Components of deferred tax liabilities, net are as follows:

	December 28, 2021	December 29, 2020
Deferred tax assets:		
Deferred revenue—gift cards . . . . .	\$ 24,056	\$ 26,692
Insurance reserves . . . . .	6,407	5,998
Deferred payroll taxes . . . . .	5,995	5,995
Other reserves . . . . .	1,077	705
Share-based compensation . . . . .	6,040	5,621
Operating lease liabilities . . . . .	160,638	146,803
Deferred compensation . . . . .	16,233	12,778
Tax credit carryforwards . . . . .	3,618	10,360
Other assets . . . . .	2,801	2,119
Total deferred tax asset . . . . .	226,865	217,071
Deferred tax liabilities:		
Property and equipment . . . . .	(75,022)	(71,263)
Goodwill and intangibles . . . . .	(7,742)	(6,896)
Operating lease right-of-use asset . . . . .	(144,153)	(131,718)
Other liabilities . . . . .	(11,682)	(9,996)
Total deferred tax liability . . . . .	(238,599)	(219,873)
Net deferred tax liability . . . . .	\$ (11,734)	\$ (2,802)

As of December 28, 2021 and December 29, 2020, we had tax credit carryforwards of \$3.6 million and \$10.4 million, respectively, primarily related to FICA tip and Work opportunity tax credit carryforwards that exceeded credit limitations. These federal carryforwards expire in 2041. 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

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

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 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 settlements . . . . .		—
Balance at December 29, 2020. . . . .		<u>1,662</u>
Additions to tax positions related to prior years . . . . .		49
Additions to tax positions related to current year . . . . .		413
Reductions due to statute expiration . . . . .		(160)
Reductions due to exam settlement . . . . .		(436)
Balance at December 28, 2021. . . . .	\$	<u>1,528</u>

As of December 28, 2021 and December 29, 2020, the total amount of accrued penalties and interest related to uncertain tax provisions was recognized as a part of income tax expense and these amounts were not material.

All entities for which unrecognized tax benefits exist as of December 28, 2021 possess a December tax year-end. As a result, as of December 28, 2021, the tax years ended December 29, 2020, December 31, 2019 and December 25, 2018 remain subject to examination by all tax jurisdictions. As of December 28, 2021, 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 28, 2021, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 27, 2022.

#### (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 28, 2021 and December 29, 2020.

#### (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.

In response to the impact of the pandemic on our restaurant operations, on March 17, 2020, we suspended all share repurchase activity. We resumed share repurchases on August 2, 2021. For the year ended December 28, 2021, we paid \$51.6 million to repurchase 584,932 shares of our common stock. For the year ended December 29, 2020, we paid \$12.6 million to repurchase 252,409 shares of our common stock. As of December 28, 2021, we had \$96.1 million remaining under our authorized stock repurchase program.

**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

**(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 28, 2021, December 29, 2020, and December 31, 2019, 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 as presented in the accompanying consolidated statements of income and comprehensive income:

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Net income attributable to Texas Roadhouse, Inc. and subsidiaries . . . . .	\$ 245,294	\$ 31,255	\$ 174,452
Basic EPS:			
Weighted-average common shares outstanding . . .	69,709	69,438	70,509
Basic EPS . . . . .	\$ 3.52	\$ 0.45	\$ 2.47
Diluted EPS:			
Weighted-average common shares outstanding . . .	69,709	69,438	70,509
Dilutive effect of nonvested stock . . . . .	389	455	407
Shares-diluted . . . . .	70,098	69,893	70,916
Diluted EPS . . . . .	\$ 3.50	\$ 0.45	\$ 2.46

**(13) Commitments and Contingencies**

The estimated cost of completing capital project commitments at December 28, 2021 and December 29, 2020 was \$135.0 million and \$95.9 million, respectively.

As of December 28, 2021 and December 29, 2020, we are contingently liable for \$12.2 million and \$13.0 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 liabilities have been recorded as of December 28, 2021 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

	Lease Assignment Date	Current Lease Term Expiration
Everett, Massachusetts (1) .....	September 2002	February 2023
Longmont, Colorado (1) .....	October 2003	May 2029
Montgomeryville, Pennsylvania (1) .....	October 2004	March 2026
Fargo, North Dakota (1) .....	February 2006	July 2026
Logan, Utah (1) .....	January 2009	August 2024
Irving, Texas (2) .....	December 2013	December 2024
Louisville, Kentucky (2)(3) .....	December 2013	November 2023

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- (1) Real estate lease agreements for restaurant locations which we entered into before granting franchise rights to those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable, under the terms of the lease, if the franchisee defaults.
  - (2) Leases associated with non-Texas Roadhouse restaurants which were sold. The leases were assigned to the acquirer, but we remain contingently liable under the terms of the lease if the acquirer defaults.
  - (3) We may be released from liability after the initial contractual lease term expiration contingent upon certain conditions being met by the acquirer.

During the year ended December 28, 2021, 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. 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 13, 2021, our stockholders approved the Texas Roadhouse, Inc. 2021 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 2013 Long-Term Incentive Plan and no subsequent awards will be granted under the 2013 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:

**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Labor expense .....	\$ 10,323	\$ 10,081	\$ 9,032
General and administrative expense .....	27,816	19,350	26,468
Total share-based compensation expense .....	\$ 38,139	\$ 29,431	\$ 35,500

Share-based compensation activity by type of grant as of December 28, 2021 and changes during the period then ended are presented below. We recognize expense for RSUs and PSUs over the vesting term based on the grant date fair value of the award. 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 29, 2020 .....	793,563	\$ 56.37		
Granted .....	437,996	91.68		
Forfeited .....	(83,041)	66.63		
Vested .....	(590,335)	56.40		
Outstanding at December 28, 2021 .....	558,183	\$ 82.52	0.8	\$ 50,036

As of December 28, 2021, with respect to unvested RSUs, there was \$20.5 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.8 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 28, 2021, December 29, 2020 and December 31, 2019 was \$54.7 million, \$30.5 million and \$27.8 million, respectively. The excess tax benefit associated with vested RSUs for the years ended December 28, 2021, December 29, 2020 and December 31, 2019 was \$4.3 million, \$0.4 million and \$0.3 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 29, 2020 .....	79,000	\$ 55.98		
Granted .....	92,500	81.64		
Performance shares adjustment (1) .....	(73,801)	55.98		
Forfeited .....	(60,548)	66.45		
Vested .....	(5,199)	55.98		
Outstanding at December 28, 2021 .....	31,952	\$ 86.22	0.1	\$ 2,864

(1) Adjustment to actual payout amount of 6.58% from the January 2020 PSU grant that vested in January 2021.

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 28, 2021, December 29, 2020 and December 31, 2019 was \$0.4 million, \$5.4 million and \$8.8 million, respectively.

On January 8, 2022, 60,026 shares vested related to the January 2021 PSU grant and are expected to be distributed during the 13 weeks ending March 29, 2022. As of December 28, 2021, 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

**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

significant. There was no allowable excess tax benefit associated with vested PSUs for the years ended December 28, 2021, December 29, 2020 and December 31, 2019.

**(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 28, 2021.

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

	Fair Value Measurements		
	Level	December 28, 2021	December 29, 2020
Deferred compensation plan—assets . . . . .	1	\$ 67,512	\$ 55,633
Deferred compensation plan—liabilities . . . . .	1	\$ (67,431)	\$ (55,614)

The Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended, (the "Deferred Compensation Plan") is a nonqualified deferred compensation plan which allows highly compensated employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds held in a rabbi trust. We report the 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 loss	
	Level	December 28,	December 29,	Fiscal Year Ended	
		2021	2020	December 28,	December 29,
		2021	2020	2021	2020
Long-lived assets held for sale . . . . .	3	\$ 1,175	\$ 1,645	\$ (470)	\$ (432)
Goodwill . . . . .	3	\$ —	\$ 2,625	\$ —	\$ (1,076)
Investments in unconsolidated affiliates . . .	3	\$ —	\$ 1,531	\$ (1,531)	\$ (1,091)

Long-lived assets held for sale include land and building at a site that was relocated and had a carrying amount of \$1.2 million and \$1.6 million as of December 28, 2021 and December 29, 2020, respectively. These assets are included in prepaid expenses and other current assets in our consolidated balance sheets. These are valued using a Level 3 input, i.e., information from broker listings. We recorded a loss of \$0.5 million and \$0.4 million for the years ended December 28, 2021 and December 29, 2020, respectively, which is included in impairment and closure, net in our consolidated statements of income and comprehensive income.

Goodwill includes two restaurants whose carrying amounts were determined to be in excess of their fair values as part of our annual goodwill impairment assessment in 2020 and had a carrying amount of \$2.6 million as of December

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

29, 2020. In determining the fair value, multiple valuation approaches were utilized which considered the historical results and anticipated future trends of operations for these restaurants. We consider this a Level 3 input.

Investments in unconsolidated affiliates include a 40% equity interest in a joint venture in China that had a carrying amount of zero and \$1.5 million as of December 28, 2021 and December 29, 2020, respectively. We recorded a loss of \$1.5 million and \$1.1 million for the years ended December 28, 2021 and December 29, 2020, respectively, which is included in equity (loss) income from investments in unconsolidated affiliates in our consolidated statements of income and comprehensive income. This joint venture included four non-Texas Roadhouse restaurants, all of which closed in 2021.

At December 28, 2021 and December 29, 2020, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. At December 28, 2021 and December 29, 2020, the fair value of our amended 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 \$0.7 million, \$2.3 million and (\$0.9) million for the years ended December 28, 2021, December 29, 2020 and December 31, 2019, respectively.

Impairment and closure costs in 2021 included \$0.7 million related to the impairment of the fixed assets and operating lease right-of-use assets at two restaurants, both of which have relocated or are scheduled to be relocated.

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. 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.

#### (17) Related Party Transactions

As of December 28, 2021, December 29, 2020 and December 31, 2019, we had three franchise restaurants and one majority-owned company restaurant owned in part by current officers of the Company. These franchise entities paid us fees of \$1.7 million, \$0.9 million and \$0.7 million as of December 28, 2021, December 29, 2020, and December 31, 2019, respectively.

## Texas Roadhouse, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### (18) Segment Information

We manage our restaurant and franchising operations by concept and as a result have identified Texas Roadhouse, Bubba's 33, Jagers, and our retail initiatives as separate operating segments. Our reportable segments are Texas Roadhouse and Bubba's 33. The Texas Roadhouse reportable segment includes the results of our domestic company Texas Roadhouse restaurants and domestic and international franchise Texas Roadhouse restaurants. The Bubba's 33 reportable segment includes the results of our domestic company Bubba's 33 restaurants. Our remaining operating segments, which include the results of our domestic company Jagers restaurants and the results of our retail initiatives, are included in Other. In addition, Corporate-related segment assets, depreciation and amortization, and capital expenditures are also included in Other.

Management uses restaurant margin as the measure for assessing performance of our segments. 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 also includes sales and operating costs related to our non-royalty based retail initiatives. Restaurant margin is used by our CODM 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.

Restaurant and other sales for all operating segments are derived primarily from food and beverage sales. We do not rely on any major customer as a source of sales and the customers and assets of our reportable segments are located predominantly in the United States. There are no material transactions between reportable segments.

The following tables reconcile our segment results to our consolidated results reported in accordance with GAAP:

	Fiscal Year Ended December 28, 2021			
	Texas Roadhouse	Bubba's 33	Other	Total
Restaurant and other sales . . . . .	\$ 3,253,889	\$ 174,355	\$ 10,932	\$ 3,439,176
Restaurant operating costs (excluding depreciation and amortization) . . . . .	2,701,850	145,493	10,101	2,857,444
Restaurant margin . . . . .	\$ 552,039	\$ 28,862	\$ 831	\$ 581,732
Depreciation and amortization . . . . .	\$ 105,079	\$ 12,700	\$ 8,982	\$ 126,761
Segment assets . . . . .	1,874,620	179,856	457,476	2,511,952
Capital expenditures . . . . .	167,746	23,408	9,538	200,692



**Texas Roadhouse, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

	Fiscal Year Ended December 29, 2020			
	Texas			
	Roadhouse	Bubba's 33	Other	Total
Restaurant and other sales	\$ 2,267,815	\$ 106,981	\$ 5,381	\$ 2,380,177
Restaurant operating costs (excluding depreciation and amortization)	2,011,517	98,565	4,455	2,114,537
Restaurant margin	<u>\$ 256,298</u>	<u>\$ 8,416</u>	<u>\$ 926</u>	<u>\$ 265,640</u>
Depreciation and amortization	\$ 98,485	\$ 12,036	\$ 7,356	\$ 117,877
Segment assets	1,714,873	159,753	450,535	2,325,161
Capital expenditures	127,162	13,833	13,406	154,401
	Fiscal Year Ended December 31, 2019			
	Texas			
	Roadhouse	Bubba's 33	Other	Total
Restaurant and other sales	\$ 2,612,433	\$ 117,610	\$ 4,134	\$ 2,734,177
Restaurant operating costs (excluding depreciation and amortization)	2,156,859	99,561	3,530	2,259,950
Restaurant margin	<u>\$ 455,574</u>	<u>\$ 18,049</u>	<u>\$ 604</u>	<u>\$ 474,227</u>
Depreciation and amortization	\$ 96,013	\$ 12,063	\$ 7,468	\$ 115,544
Capital expenditures	164,644	25,108	24,588	214,340

A reconciliation of restaurant margin to income from operations is presented below. We do not allocate interest expense (income) and equity (loss) income from investments in unconsolidated affiliates to reportable segments.

	Fiscal Year Ended		
	December 28, 2021	December 29, 2020	December 31, 2019
Restaurant margin	581,732	265,640	474,227
Add:			
Franchise royalties and fees	24,770	17,946	21,986
Less:			
Pre-opening	24,335	20,099	20,156
Depreciation and amortization	126,761	117,877	115,544
Impairment and closure, net	734	2,263	(899)
General and administrative	157,480	119,503	149,389
Income from operations	<u>\$ 297,192</u>	<u>\$ 23,844</u>	<u>\$ 212,023</u>

**(19) Subsequent Events**

On December 29, 2021, the first day of our 2022 fiscal year, we completed the acquisition of seven franchise restaurants. Pursuant to the terms of the acquisition agreements, we paid an aggregate purchase price of approximately \$27.0 million. We expect to complete the preliminary purchase price allocations relating to these transactions in the first quarter of fiscal 2022.

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# CORPORATE SUSTAINABILITY

FOOD • COMMUNITY • EMPLOYEES • CONSERVATION

## DEAR SHAREHOLDERS,

**Despite the many challenges we faced during the pandemic, our Corporate Sustainability program remained strong throughout 2021. We continued to focus on our four pillars - Food, Community, Employees, and Conservation - and remain committed to our sustainability mission to make every community we serve better than we found it.**

As we have mentioned several times, we believe that our Managing Partner Model is the foundation of our sustainability efforts. Our MP Model provides our Managing Partners with 10% of their restaurant profits, which encourages stewardship of resources. Because of this ownership mentality, our Managing Partners are incentivized to reduce waste, conserve energy, and become sustainability champions.

Our commitment to hand-cut steaks also includes a sustainability benefit. Our in-house Meat Cutters not only provide higher quality steaks to our guests, but the program also helps reduce millions of pounds of food waste each year. Also, our food is cooked-to-order, which is another way we reduce waste.

Throughout the year, we were proud to host many local, regional, and national dine-to-donate fundraisers at our restaurants across the country. During the month of October, stores that opted in to participate in raising money and awareness for breast cancer raised \$120,000 for the Breast Cancer Research Foundation. At the end of the year, we hosted dine-to-donate fundraisers in restaurants across Kentucky, Indiana, Georgia, West Virginia, and Pennsylvania. The restaurants collected donations and donated their profits for the night to the Western Kentucky Tornado Relief Fund. As a result, we were able to donate \$85,000 to the fund. In addition, several departments at the Support Center and many individual Roadies donated money, toys, gift cards, and time to help support organizations selected by our operators in Western Kentucky.

We also continued our commitment to veterans. We hosted our 12th annual Veterans Day where we provided over 480,000 free meal vouchers to active and retired military. The vouchers allowed the recipients to dine at their convenience. In addition, our CEO, Jerry Morgan, was appointed to the Homes for Our Troops Board of Directors. To date, we have donated more than \$2 million to help build handicap accessible homes for post-9/11 veterans.

We know that the fundraising efforts mentioned above and providing Legendary Food, Legendary Service® every day is only made possible by the commitment and pride our Roadies have for their work. Whether it's training, development, or benefits - we are always looking for ways to grow and develop our employees.

In 2021, we continued to focus on Roadie development through a variety of programs, including our Women's Leadership Series and our monthly Let's Talk D&I series, to name a few. We also offered a number of compliance training courses for our Roadies, including Code of Conduct review, harassment-free workplace training, and OSHA training. In addition, Roadies in our restaurants and at the Support Center, were offered development courses throughout the year both in-person and through virtual options. Over 273,000 training courses were completed through our learning management platform.

From an employee benefits perspective, in 2021, we were also proud to announce our new tuition reimbursement program for restaurant employees, which offers \$5,250 in annual reimbursement for classes at an accredited university to team members who qualify for benefits and work 30 hours or more weekly.

When it comes to conservation, bees, trees, and water are three resources we are passionate about protecting and preserving as a company. Last year, we partnered with the Bee Conservancy to sponsor 120 native beehives at non-profits, schools, and other community organizations across the country. As part of our partnership with the Arbor Day Foundation, we hosted tree distribution events at Texas Roadhouse locations in Cedar Rapids, IA; Houston, TX; and Miami, FL. Over 1,200 (1-5 gallon) trees were given out to members of these communities that were recently impacted by natural disasters.

On the recycling front, in 2021 we were proud to announce that we replaced all third-party plastic gift cards with paper gift cards in an effort to reduce plastic ending up in landfills. We also are continuing our test with uniforms made from recycled bottles. The feedback from employees thus far has been positive. Unfortunately, we saw another drop in the number of stores participating in recycling programs from 67% to 65%. However, as a result of our recycling program, 15,689 tons were diverted from the landfill with a 16.2% diversion rate. This equates to 71,448 trees saved and 36,696 GHG emissions saved.

At the Support Center, our Sustainability Committee continues to offer opportunities for Roadies to get involved in sustainability projects,

such as trash pick-ups and electronic recycling events. During the spring, the committee hosted a lunch and learn for Roadies to learn more about composting. This helped kick off composting in the Support Center café, which is a great way for us to test and understand the challenges of composting from an operations perspective.

We continued to focus on bringing water to communities around the world with our partnership with WaterStep, whose mission is to save lives with safe water. In addition, we are proud to partner with Doc Hendley, founder of Wine to Water, and his team on their initiative to provide clean water to indigenous communities. Our partnership focuses on bringing clean water to Native American communities in New Mexico.

As we approach 4 years of highlighting our Corporate Sustainability efforts, we formed a cross-functional committee to understand and capture the various programs and initiatives throughout the company. The committee is comprised of representatives from Communications, Finance, Financial Reporting, Legal, People, and Purchasing. While 2021 was all about gaining a clearer understanding of our areas of success and opportunity, committee efforts such as developing Vendor Partner Expectations are now included in our Corporate Sustainability Report.

We are excited to continue to develop our Corporate Sustainability program through building champions, providing opportunities, testing initiatives, and learning more through our committees and teams. To review our full 2021 Sustainability Report, visit our website at [texasroadhouse.com/sustainability](https://texasroadhouse.com/sustainability). This report is updated annually, and we meet with our Board of Directors each year to share updates.

Travis Doster  
Vice President of Communications  
and Public Affairs

# CORPORATE SUSTAINABILITY

FOOD • COMMUNITY • EMPLOYEES • CONSERVATION



WE MAKE IT **OUR MISSION** TO LEAVE EVERY COMMUNITY **BETTER THAN WE FOUND IT.**



**Arbor Day Foundation®**

We were proud to host tree distribution events at Texas Roadhouse locations in Cedar Rapids, IA; Houston, TX; and Miami, FL. with our longtime partner Arbor Day. Over 1,200 (1-5 gallon) trees were given out to members of these communities that were recently impacted by natural disasters.



New in 2021, we replaced all third-party plastic gift cards with paper gift cards in an effort to reduce the amount of plastic ending up in landfills.



**LED LIGHTING**

In 2021, we opened 23 company restaurants with LED lighting and energy-efficient equipment, helping to reduce our electric, gas, and water usage.

PRESERVING RESOURCES THROUGH

# Recycling



TREES SAVED

71,448



GHG EMISSIONS SAVED

36,696

MTCO2E



WATER SAVED

41.68M

GAL



ELECTRICITY SAVED

20.71M

KW

# BOARD OF DIRECTORS

## GREGORY N. MOORE

Chairman of the Board, Texas Roadhouse, Inc.  
Former Senior Vice President and Controller  
Yum! Brands, Inc.

## GERALD L. MORGAN

President and CEO  
Texas Roadhouse, Inc.

## MICHAEL A. CRAWFORD

Chairman, President, and CEO  
Hall of Fame Resort & Entertainment Co.

## DONNA E. EPPS

Former Partner  
Deloitte LLP

## CURTIS A. WARFIELD

President and CEO  
Windham Advisors LLC

## KATHLEEN M. WIDMER

Company Group Chairman  
Consumer North America and Latin America  
Johnson & Johnson

## JAMES R. ZARLEY

Former Chairman and CEO  
Conversant, Inc.

# SHAREHOLDER INFORMATION

## SUPPORT CENTER

(Corporate Office)  
6040 Dutchmans Lane, Louisville, KY 40205  
(800) TEX-ROAD or (800) 839-7623

## ANNUAL MEETING

Thursday, May 12, 2022 – 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](http://texasroadhouse.com). Please  
contact us by phone at (502) 426-9984 or by sending us  
an email to [investment@texasroadhouse.com](mailto: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 28, 2021



DOMESTIC

596



INTERNATIONAL

31



BUBBA'S 33

36



JAGGERS

4



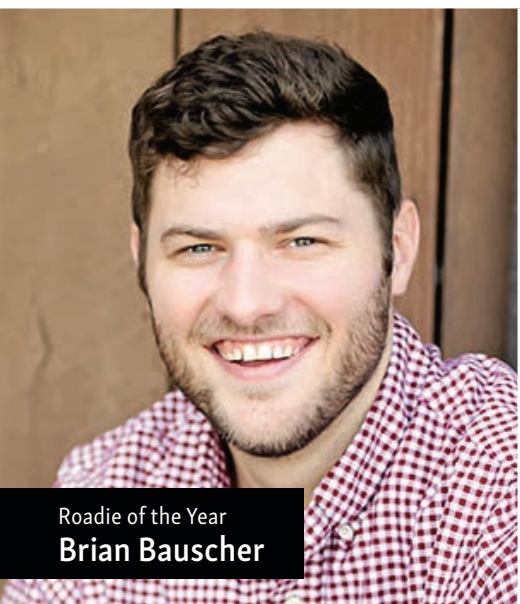
MANAGING PARTNER  
OF THE YEAR

# DAVID HOLLINGER

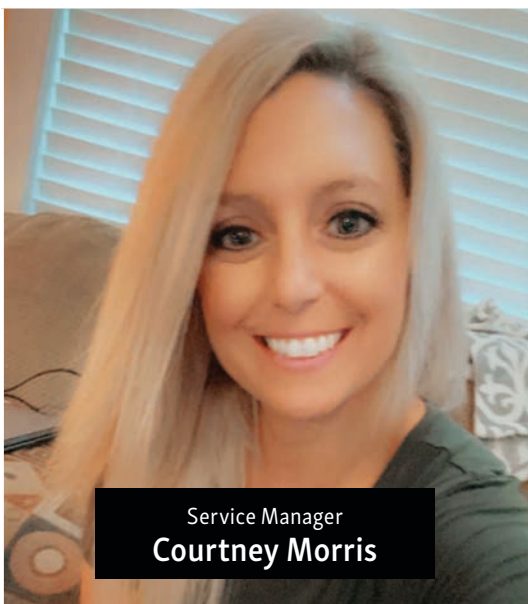


MEAT CUTTER  
OF THE YEAR

# LUIS GONZALEZ



Roadie of the Year  
**Brian Bauscher**



Service Manager  
**Courtney Morris**



Kitchen Manager  
**Craig Capps**