



## Texas Roadhouse Bullish Trades as a Likely Casual Dining Survivor

**Ticker/Price:** TXRH (\$35.25)

### Analysis:

**Texas Roadhouse (TXRH)** seeing the June calls active on Friday with 1,300 of the \$35 and later 1,500 of the \$40 calls trading on the day, the former from \$5.60 to \$5.70. TXRH recently had some smaller June \$40 puts sold and still has some Sept. calls in OI from buyers in late February. TXRH has traded back to the 61.8% Fibonacci of the massive run from 2008 onwards and also holding a big volume node from 2015. In the near-term, above \$40 can set up a run back to the 200-MA at \$54. The \$2.39B restaurant owner has been a best-in-class operator for years and trades cheap on valuation at 13X FY20 earnings with outstanding margins, strong historical comps with a well-capitalized balance sheet and zero debt. They drew down \$190M on their credit facility recently to boost their net cash to \$300M and halted their dividend, but not uncommon for companies in the current environment. TXRH has been running all of their locations at full or 'to-go' capacity and expanding curb-side service. TXRH carries an advantage over peers with 484 of their 611 stores under company ownership, not franchised, which makes them less reliant on individual debt and potential for payments to slow down. They're also coming off a big cost-cutting program wherein they put in place better food cost controls and menu changes which have so far seen higher average tickets and little impact on their traffic base. Analysts have an average target for shares of \$63.50. Gordon Haskett upgrading to Buy on 3-25 while Loop Capital with a \$66 PT positive on the company's ability to manage its margins, with its incremental pricing changes in March. Short interest is 7.3%, flat over the last year. Hedge fund ownership fell 2% in Q4. In May, a director bought nearly \$1M in stock at \$52.51.

### Hawk Vision:



**Hawk's Perspective:** TXRH is in a very difficult group to be long but definitely one of the better situations and a top name when there is a return to normalcy for the patient investor.

**Confidence Ranking:** \$\$