



## FEATURED OPTIONS RADAR REPORT



### Unusual Large Call Buy in Texas Roadhouse as Dining Trends Strengthen

Ticker/Price: TXRH (\$100.55)

#### Analysis:

**Texas Roadhouse (TXRH)** on 5/28 traded 4,850 calls on the day which is 34X daily average with the September \$105 calls most active as 3500X bought to open \$5 to \$5.60 in aggressive offer sweeps. TXRH is a name that lacks any other notable open interest though as long screened as a best-in-class casual dining name. Shares recently pulled back to YTD VPOC and based and now starting to work out of that pullback base with recent highs up near \$110. TXRH has 634 casual dining restaurants in 49 states and ten foreign countries. 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. TXRH also has 33 Bubba's 33 restaurants, a family-friendly, sports restaurant concept featuring scratch-made food, ice cold beer and signature drinks. TXRH has a market cap of \$7B and trades 25.6X Earnings, 2.77X Sales and 29.35X FCF with a 1.6% dividend yield and strong balance sheet. Forecasts see revenues up 37.7% in 2021 after being down 13% in 2020. TXRH last quarter saw Q2 SSS trend at 20.9% through April, the best among peers, and stimulus seen benefitting its loyal customer base. TXRH may be more exposed to cost pressures from beef and also noted labor supply challenges though is instituting price increases on the menu. TXRH has done well expanding its off-premise dining offerings. TXRH's "Butcher Shop" concept business could prove to be a major future growth driver. TXRH still has a meaningful opportunity to expand store count across its brands. Analysts have an average target of \$110 and short interest is 4.2% of the float. On 5/17 Deutsche Bank upgraded shares to Buy with a \$116 target and on 4/30 Truist raised its target to \$124 target expecting further market share gains with strong recent trends reported. Melvin Capital has a \$255M stake and tends to be active in options, so this could be their position.

#### Hawk Vision:



**Hawk's Perspective:** TXRH is a high-quality name and a nice base to be long against for this highly unusual large call purchase.

**Confidence Ranking:** \$\$