

Initiated 2026-09-25 · Price \$161.55 (as of 2026-09-24, stockanalysis.com) · Mkt cap \$10.60bn · Consumer discretionary / casual dining · Model: verified

Rating: Hold — Conviction: Low

Texas Roadhouse is the best operator in casual dining. Company comps are +6.2–6.5% in the latest periods, led by traffic, and it adds ~5% more store weeks a year with no funded debt to speak of. The price already assumes that continues: ~15x lease-excluded EBITDA, a premium to every listed casual-dining peer but one. The model's base case sits below the price, and the bull case offers far less than the bear case takes away. It stays a Hold rather than a Sell because the gap is mostly a question of what multiple this growth deserves after year five, not a flaw in the business.

MODEL VALUE RANGE VS PRICE



Business overview

Texas Roadhouse runs value-priced steakhouses: 662 company-owned Texas Roadhouse units, 59 Bubba's 33 sports restaurants and 11 Jaggers at 2026-06-30, plus 100 franchised restaurants (62 international). Revenue was \$5.88bn in FY2025. Franchise royalties are ~0.4% of revenue, so this is overwhelmingly a company-operated model: it earns restaurant margin, not fees. Three variables drive earnings. The first is traffic-led comps (company restaurant average weekly sales \$177k in Q2, +5.9%). The second is store-week growth (guided 5–6% for 2026). The third is restaurant margin, which beef sets more than anything: food and beverage costs were 35.4% of sales in Q2, and 2025 commodity inflation of 6.1% took restaurant margin down 165bp to 15.5%.

Competition

The closest listed rival is Darden's LongHorn Steakhouse. It posted +6.2% same-restaurant sales in the quarter to 2026-08-30 (reported 2026-09-24), matching Texas Roadhouse's +6.2% Q2. So the steakhouse sub-segment is winning share inside casual dining, while Olive Garden managed only +1.1%. Pressure would show up first in traffic, not price. Texas Roadhouse's positioning is value, so it takes less menu pricing than its commodity inflation, and a rival that discounts steak dinners would hit its traffic directly. Bubba's 33 is the soft spot at +1.3% comps. On lease-inclusive aggregator figures, Brinker trades at 12.2x EV/EBITDA and 15.6x forward earnings and Darden at 14.9x and 18.1x, against Texas Roadhouse's 16.3x and 22.4x.

Bull case

- Traffic-led comps keep outrunning the category.** Company comps were +6.7% in H1 2026 and +6.2% in the first five weeks of Q3, on top of +4.9% for FY2025. Plays out if the consumer holds and the value gap to peers persists. *Model: rev_growth*

- The unit machine compounds.** Store weeks +5.3% in H1 2026 and guided 5–6% for the year, funded from cash flow (\$439mm operating cash flow in H1 against \$179mm capex), with Jagers and franchise buy-ins adding runway. Plays out if new-unit volumes hold. *Model: rev_growth*
- Beef inflation fades and margin recovers.** 2026 commodity inflation guidance was cut from ~7% to ~5% in August. EBITDA margin was 12.9% in FY2024 against 11.6% in FY2025, so a return to FY2024 levels is worth over a point of margin. Plays out if cattle costs roll over in 2027. *Model: ebitda_margin*

Bear case

- The beef squeeze lasts another year.** Commodity inflation was 6.1% in 2025 and 7% in Q2 2026, and food cost rose 136bp year on year in Q2. A value brand prices below that, so margin absorbs it. Plays out if 2027 commodity inflation stays at 5%+ with wages at 3–4%. *Model: ebitda_margin*
- Casual-dining traffic is cyclical.** Olive Garden's +1.1% shows consumers are choosing carefully, and Bubba's 33 slowed to +1.3%. A slowdown that turns traffic negative would meet a fixed labour and occupancy base. Plays out if unemployment rises. *Model: rev_growth*
- Growth is getting more capital-intensive.** Capex was 6.6% of revenue in FY2025 and is guided at ~\$400mm for 2026, against D&A of 3.5%. If build costs keep rising while margins sit below peak, returns on new units compress. *Model: capex_pct_rev, ebitda_margin*
- The multiple already prices durability.** At 15.4x FY2025 EBITDA on a lease-excluded basis, it trades above Brinker and Darden even on their lease-inclusive figures. A de-rating toward the peer group is a loss even if operations hold. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
Forward P/E (consensus NTM EPS)	22.4x	n/a (unverified)	Darden 18.1x · Brinker 15.6x · Cheesecake Factory 22.4x	stockanalysis.com, 2026-09-24
EV/EBITDA, lease-inclusive (aggregator)	16.3x	n/a (unverified)	Darden 14.9x · Brinker 12.2x · Cheesecake Factory 20.0x	stockanalysis.com, 2026-09-24
EV/EBITDA, lease-excluded (model basis: EV \$10.50bn / FY2025 EBITDA \$681.4mm)	15.4x (14.9x TTM)	FY2021–FY2025 EBITDA margin 11.0–12.9%	n/a (peers not restated)	model-summary.json ; Q2 2026 release
FCF yield (TTM FCF \$406.4mm / market cap)	3.8%	n/a (unverified)	Darden 4.5% · Brinker 6.5% · Cheesecake Factory 4.0%	stockanalysis.com, 2026-09-24

Cheesecake Factory's EV/EBITDA is lifted by its own capital structure, so Darden and Brinker are the cleaner comparisons. Both report far larger debt balances (Darden \$8.57bn, Brinker \$1.76bn, lease-inclusive) against Texas Roadhouse's net cash.

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$63.85 · Base \$129.22 · Bull \$187.00 per share, i.e. implied returns of –60.5% / –20.0% / +15.8% vs \$161.55. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above the base case and about halfway to the bull case: the market is paying for the bull's margin recovery.

Re-rating. The two methods disagree by far more than 10%:

- Exit-multiple method.** Base is \$160.61, roughly the price. That already includes a de-rating from today's 15.4x to 13.0x.
- Gordon method.** Base is \$97.82. It implies only ~7.3x Year-5 EBITDA, because Year-5 cash flow still carries growth capex of 6.2% of revenue, against 3.5% D&A, while the terminal growth rate is only 3%. That understates value if unit growth continues past year five. It is also exactly what happens to a unit grower when openings slow and the multiple follows.

The truth lies between the two. That is why this is a Hold despite a –20% base midpoint: on the method that credits continued growth, the price is fair. There is no margin of safety on either method.

Tail, quantified. The Texas Roadhouse brand is ~90% of units, so a brand-level stumble was run outside the committed model: revenue +9%, –1%, –1%, +2%, +3%; EBITDA margin 10.8% falling to 9%; 9.0x exit; 10% WACC. That gives **\$42.72 (–74%)**.

Balance sheet: net cash, which makes leverage and coverage not meaningful. Cash was \$202.4mm against \$50mm drawn on the revolver at 2026-06-30 (−0.22x FY2025 EBITDA). Operating lease liabilities of ~\$1.0bn (non-current, \$1,004.7mm) are the real fixed claim, and are left out because EBITDA here is after rent. The revolver's size and maturity were not verified. Ratings: n/a (unverified).

Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). Unverified input: `market.other_claims`, where small noncontrolling interests are set to zero (est.). No assumptions without basis. Scenario consistency is `OK` on all 14 rows. NWC is inventories less payables only; receivables and gift-card liabilities were not retrieved. FY2024 was a 53-week year. Base Y1 EPS of \$6.80 is within 3% of the \$6.60 FY2026 consensus.

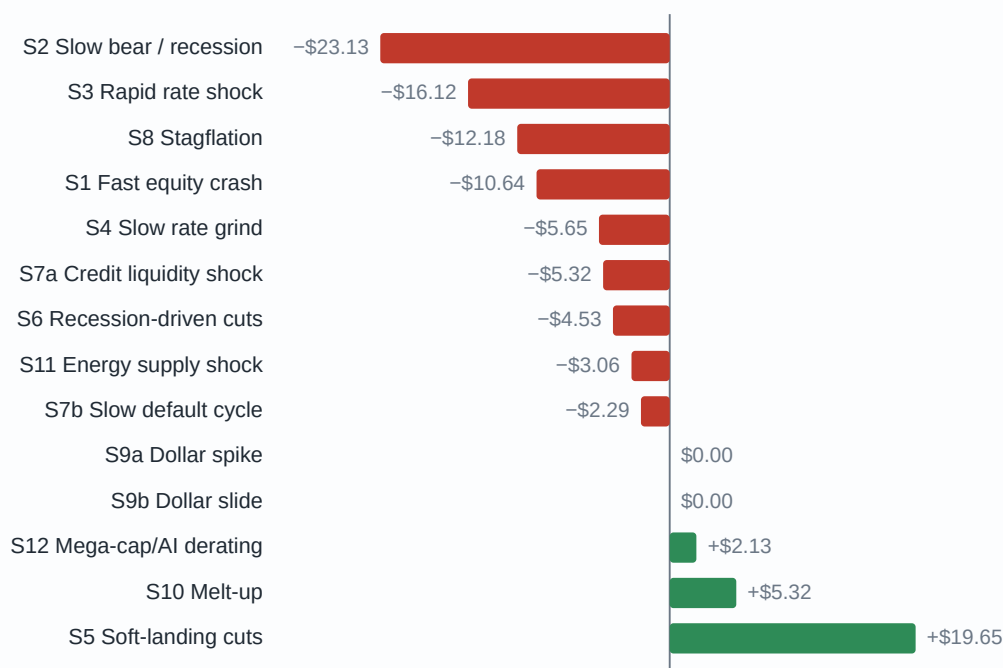
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	−	Risk-premium spike on a premium multiple; no operating channel over weeks	Med	−\$10.64
S2 Slow bear / recession	−	Casual-dining traffic falls with jobs; labour and occupancy deleverage. Milder than Base – Bear on purpose: a recession is transitory, while the bear case adds a multi-year beef squeeze and a de-rating	High	−\$23.13
S3 Rapid rate shock	−	Discount rate and multiple on a long-duration grower; no refinancing need	High	−\$16.12
S4 Slow rate grind	−	Same channel, grinding	Low	−\$5.65
S5 Soft-landing cuts	+	Consumer intact and a lower discount rate	High	+\$19.65
S6 Recession-driven cuts	−	Traffic loss outweighs the lower discount rate	Low	−\$4.53
S7a Credit liquidity shock	−	No funding need; pure risk-premium effect	Low	−\$5.32
S7b Slow default cycle	−	Mild traffic effect via stretched lower-income households	Low	−\$2.29
S8 Stagflation	−	The central macro risk: beef and wage inflation outpace a value menu's pricing; sales hold nominally but margin does not	Med	−\$12.18
S9a Dollar spike	0	No material effect, not modeled — domestic operator; international is franchised royalties	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — as S9a	—	\$0.00
S10 Melt-up	+	Risk appetite, limited by a multiple already at a premium	Low	+\$5.32
S11 Energy supply shock	−	Gasoline squeezes discretionary dining; utilities and freight costs rise	Low	−\$3.06
S12 Mega-cap/AI derating	±	No operating linkage; possible rotation toward domestic consumer names, sign uncertain	Low	+\$2.13

Currently active/on watch per the playbook: S3 partially active (price leg met, pace legs short); S8, S10 and S11 on watch, S11 escalated after the 2026-09-19/20 Saudi/Houthi events. S8 and S11 are the live macro risks for this name, because both reach margin through food and energy costs.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the price falls toward the base case while comps stay $\geq 4\%$; or 2027 commodity guidance comes in at $\leq 3\%$ with restaurant margin back above 17%; or unit returns hold as capex per opening stabilises. **Downgrades if:** company comps turn negative or traffic declines for two quarters; or 2027 commodity inflation is guided $\geq 6\%$; or the multiple expands further without a margin recovery.

Watch items

- **W1:** Q3 2026 company comps and traffic, against +6.2% in the first five weeks of the quarter. Source: Q3 2026 release (early November 2026). *Model: rev_growth*
- **W2:** Restaurant margin and food cost percentage, against Q2's 16.4% and 35.4%, and whether full-year commodity inflation lands near the ~5% guide. Source: Q3/Q4 2026 releases. *Model: ebitda_margin*
- **W3:** 2027 guidance for commodity inflation, wage inflation, store-week growth and capex, the first read on a beef-cycle turn. Source: Q4 2026 release (February 2027). *Model: ebitda_margin, capex_pct_rev*
- **W4:** LongHorn comps as the steakhouse traffic benchmark, against LongHorn's +6.2% for the quarter to 2026-08-30. Source: Darden fiscal Q2 2027 release (December 2026). *Model: rev_growth*

Sources

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- Peer statistics: Darden <https://stockanalysis.com/stocks/dri/statistics/> · Brinker <https://stockanalysis.com/stocks/eat/statistics/> · Cheesecake Factory <https://stockanalysis.com/stocks/cake/statistics/> — accessed 2026-09-25
- Darden Restaurants fiscal 2027 Q1 results (LongHorn +6.2%, Olive Garden +1.1%) — <https://www.prnewswire.com/news-releases/darden-restaurants-reports-fiscal-2027-first-quarter-results-declares-quarterly-dividend-and-reaffirms-fiscal-2027-outlook-302888250.html> — accessed 2026-09-25
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