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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 28, 2022

or

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

Commission File Number: 0-20574

**THE CHEESECAKE FACTORY INCORPORATED**

(Exact name of registrant as specified in its charter)

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

**26901 Malibu Hills Road**  
**Calabasas Hills, California**  
(Address of principal executive offices)

**51-0340466**  
(I.R.S. Employer  
Identification No.)

**91301**  
(Zip Code)

**(818) 871-3000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| <u>Title of Each Class</u>              | <u>Trading Symbol</u> | <u>Name of Each Exchange on which Registered</u> |
|-----------------------------------------|-----------------------|--------------------------------------------------|
| Common Stock, par value \$.01 per share | CAKE                  | The Nasdaq Stock Market LLC                      |

Indicate by check mark whether the 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 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 the 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 | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 25, 2022, 52,228,497 shares of the registrant's Common Stock, \$.01 par value per share, were outstanding.

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**THE CHEESECAKE FACTORY INCORPORATED**  
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**PART I — FINANCIAL INFORMATION**
**Item 1. Financial Statements.**

**THE CHEESECAKE FACTORY INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

|                                                                                                                                                              | June 28,<br>2022<br>(Unaudited) | December 28,<br>2021 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                |                                 |                      |
| Current assets:                                                                                                                                              |                                 |                      |
| Cash and cash equivalents                                                                                                                                    | \$ 194,891                      | \$ 189,627           |
| Accounts and other receivables                                                                                                                               | 71,338                          | 100,504              |
| Income taxes receivable                                                                                                                                      | 39,791                          | 36,173               |
| Inventories                                                                                                                                                  | 52,286                          | 42,839               |
| Prepaid expenses                                                                                                                                             | 33,373                          | 36,446               |
| Total current assets                                                                                                                                         | 391,679                         | 405,589              |
| Property and equipment, net                                                                                                                                  | 745,251                         | 741,746              |
| Other assets:                                                                                                                                                |                                 |                      |
| Intangible assets, net                                                                                                                                       | 251,618                         | 251,701              |
| Operating lease assets                                                                                                                                       | 1,241,699                       | 1,241,237            |
| Other                                                                                                                                                        | 142,186                         | 157,852              |
| Total other assets                                                                                                                                           | 1,635,503                       | 1,650,790            |
| Total assets                                                                                                                                                 | <u>\$ 2,772,433</u>             | <u>\$ 2,798,125</u>  |
| <b>LIABILITIES, SERIES A CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>                                                                            |                                 |                      |
| Current liabilities:                                                                                                                                         |                                 |                      |
| Accounts payable                                                                                                                                             | \$ 58,927                       | \$ 54,086            |
| Gift card liabilities                                                                                                                                        | 182,295                         | 211,182              |
| Operating lease liabilities                                                                                                                                  | 144,829                         | 131,818              |
| Other accrued expenses                                                                                                                                       | 237,453                         | 239,187              |
| Total current liabilities                                                                                                                                    | 623,504                         | 636,273              |
| Long-term debt                                                                                                                                               | 467,025                         | 466,017              |
| Operating lease liabilities                                                                                                                                  | 1,195,912                       | 1,218,269            |
| Other noncurrent liabilities                                                                                                                                 | 124,308                         | 147,400              |
| Commitments and contingencies (Note 8)                                                                                                                       |                                 |                      |
| Series A convertible preferred stock, \$.01 par value, 200,000 shares authorized; none issued                                                                | —                               | —                    |
| Stockholders' equity:                                                                                                                                        |                                 |                      |
| Preferred stock, \$.01 par value, other than Series A convertible preferred stock, 4,800,000 shares authorized; none issued                                  | —                               | —                    |
| Common stock, \$.01 par value, 250,000,000 shares authorized; 106,029,780 and 105,365,678 shares issued at June 28, 2022 and December 28, 2021, respectively | 1,060                           | 1,054                |
| Additional paid-in capital                                                                                                                                   | 874,551                         | 862,758              |
| Retained earnings                                                                                                                                            | 1,203,731                       | 1,169,150            |
| Treasury stock, 53,596,559 and 53,139,172 shares at cost at June 28, 2022 and December 28, 2021, respectively                                                | (1,717,326)                     | (1,702,509)          |
| Accumulated other comprehensive loss                                                                                                                         | (332)                           | (287)                |
| Total stockholders' equity                                                                                                                                   | 361,684                         | 330,166              |
| Total liabilities, Series A convertible preferred stock and stockholders' equity                                                                             | <u>\$ 2,772,433</u>             | <u>\$ 2,798,125</u>  |

See the accompanying notes to the condensed consolidated financial statements

**THE CHEESECAKE FACTORY INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)  
(Unaudited)

|                                                                                      | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|--------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Revenues                                                                             | \$ 832,643                               | \$ 768,956                               | \$ 1,626,353                               | \$ 1,396,373                               |
| Costs and expenses:                                                                  |                                          |                                          |                                            |                                            |
| Cost of sales                                                                        | 204,182                                  | 168,944                                  | 392,683                                    | 304,819                                    |
| Labor expenses                                                                       | 304,519                                  | 274,812                                  | 600,282                                    | 504,544                                    |
| Other operating costs and expenses                                                   | 219,200                                  | 199,495                                  | 426,835                                    | 381,028                                    |
| General and administrative expenses                                                  | 50,191                                   | 48,228                                   | 99,314                                     | 92,655                                     |
| Depreciation and amortization expenses                                               | 22,608                                   | 22,223                                   | 44,113                                     | 44,229                                     |
| Impairment of assets and lease termination expenses                                  | 106                                      | —                                        | 313                                        | 594                                        |
| Acquisition-related contingent consideration, compensation and amortization expenses | 948                                      | 11,357                                   | 1,839                                      | 11,907                                     |
| Preopening costs                                                                     | 2,947                                    | 2,779                                    | 4,711                                      | 6,635                                      |
| Total costs and expenses                                                             | 804,701                                  | 727,838                                  | 1,570,090                                  | 1,346,411                                  |
| Income from operations                                                               | 27,942                                   | 41,118                                   | 56,263                                     | 49,962                                     |
| Interest and other expense, net                                                      | (1,130)                                  | (4,706)                                  | (2,591)                                    | (7,400)                                    |
| Income before income taxes                                                           | 26,812                                   | 36,412                                   | 53,672                                     | 42,562                                     |
| Income tax provision                                                                 | 1,156                                    | 2,697                                    | 4,853                                      | 4,979                                      |
| Net income                                                                           | 25,656                                   | 33,715                                   | 48,819                                     | 37,583                                     |
| Dividends on Series A preferred stock                                                | —                                        | (13,591)                                 | —                                          | (18,661)                                   |
| Undistributed earnings allocated to Series A preferred stock                         | —                                        | (3,051)                                  | —                                          | (3,123)                                    |
| Net income available to common stockholders                                          | \$ 25,656                                | \$ 17,073                                | \$ 48,819                                  | \$ 15,799                                  |
| Net income per common share:                                                         |                                          |                                          |                                            |                                            |
| Basic                                                                                | \$ 0.51                                  | \$ 0.38                                  | \$ 0.97                                    | \$ 0.35                                    |
| Diluted (Note 11)                                                                    | \$ 0.50                                  | \$ 0.37                                  | \$ 0.96                                    | \$ 0.35                                    |
| Weighted-average common shares outstanding:                                          |                                          |                                          |                                            |                                            |
| Basic                                                                                | 50,387                                   | 45,471                                   | 50,360                                     | 44,830                                     |
| Diluted                                                                              | 50,929                                   | 46,777                                   | 50,966                                     | 45,975                                     |

See the accompanying notes to the condensed consolidated financial statements.

**THE CHEESECAKE FACTORY INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In thousands)**  
**(Unaudited)**

|                                                                      | <b>Thirteen<br/>Weeks Ended<br/>June 28, 2022</b> | <b>Thirteen<br/>Weeks Ended<br/>June 29, 2021</b> | <b>Twenty-Six<br/>Weeks Ended<br/>June 28, 2022</b> | <b>Twenty-Six<br/>Weeks Ended<br/>June 29, 2021</b> |
|----------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Net income                                                           | \$ 25,656                                         | \$ 33,715                                         | \$ 48,819                                           | \$ 37,583                                           |
| Other comprehensive (loss)/gain:                                     |                                                   |                                                   |                                                     |                                                     |
| Foreign currency translation adjustment                              | (300)                                             | 219                                               | (45)                                                | 393                                                 |
| Unrealized gain on derivative, net of tax                            | —                                                 | 1,726                                             | —                                                   | 3,464                                               |
| Other comprehensive (loss)/gain                                      | (300)                                             | 1,945                                             | (45)                                                | 3,857                                               |
| Total comprehensive income                                           | 25,356                                            | 35,660                                            | 48,774                                              | 41,440                                              |
| Comprehensive income attributable to Series A preferred stockholders | —                                                 | (16,937)                                          | —                                                   | (22,421)                                            |
| Total comprehensive income available to common stockholders          | <u>\$ 25,356</u>                                  | <u>\$ 18,723</u>                                  | <u>\$ 48,774</u>                                    | <u>\$ 19,019</u>                                    |

See the accompanying notes to the condensed consolidated financial statements

**THE CHEESECAKE FACTORY INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND SERIES A CONVERTIBLE**  
**PREFERRED STOCK**  
(In thousands)  
(Unaudited)

For the twenty-six weeks ended June 28, 2022:

|                                                                            | Series A Convertible Preferred Stock |        | Common Stock |          | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Total      |
|----------------------------------------------------------------------------|--------------------------------------|--------|--------------|----------|----------------------------|-------------------|----------------|--------------------------------------|------------|
|                                                                            | Shares                               | Amount | Shares       | Amount   |                            |                   |                |                                      |            |
| Balance, December 28, 2021                                                 | —                                    | \$ —   | 105,366      | \$ 1,054 | \$ 862,758                 | \$ 1,169,150      | \$ (1,702,509) | \$ (287)                             | \$ 330,166 |
| Net income                                                                 | —                                    | —      | —            | —        | —                          | 23,163            | —              | —                                    | 23,163     |
| Foreign currency translation adjustment                                    | —                                    | —      | —            | —        | —                          | —                 | —              | 255                                  | 255        |
| Cash dividends declared common stock, net of forfeitures                   | —                                    | —      | —            | —        | —                          | 22                | —              | —                                    | 22         |
| Stock-based compensation                                                   | —                                    | —      | 608          | 6        | 5,569                      | —                 | —              | —                                    | 5,575      |
| Common stock issued under stock-based compensation plans                   | —                                    | —      | 55           | 0        | 83                         | —                 | —              | —                                    | 83         |
| Treasury stock purchases                                                   | —                                    | —      | —            | —        | —                          | —                 | (3,938)        | —                                    | (3,938)    |
| Balance, March 29, 2022                                                    | —                                    | \$ —   | 106,029      | \$ 1,060 | \$ 868,410                 | \$ 1,192,335      | \$ (1,706,447) | \$ (32)                              | \$ 355,326 |
| Net income                                                                 | —                                    | —      | —            | —        | —                          | 25,656            | —              | —                                    | 25,656     |
| Foreign currency translation adjustment                                    | —                                    | —      | —            | —        | —                          | —                 | —              | (300)                                | (300)      |
| Cash dividends declared common stock, net of forfeitures, \$0.27 per share | —                                    | —      | —            | —        | —                          | (14,260)          | —              | —                                    | (14,260)   |
| Stock-based compensation                                                   | —                                    | —      | (40)         | 0        | 6,141                      | —                 | —              | —                                    | 6,141      |
| Common stock issued under stock-based compensation plans                   | —                                    | —      | 41           | 0        | 0                          | —                 | —              | —                                    | 0          |
| Treasury stock purchases                                                   | —                                    | —      | —            | —        | —                          | —                 | (10,879)       | —                                    | (10,879)   |
| Balance, June 28, 2022                                                     | —                                    | \$ —   | 106,030      | \$ 1,060 | \$ 874,551                 | \$ 1,203,731      | \$ (1,717,326) | \$ (332)                             | \$ 361,684 |

For the twenty-six weeks ended June 29, 2021:

|                                                                     | Series A Convertible Preferred Stock |            | Common Stock |          | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Total      |
|---------------------------------------------------------------------|--------------------------------------|------------|--------------|----------|----------------------------|-------------------|----------------|--------------------------------------|------------|
|                                                                     | Shares                               | Amount     | Shares       | Amount   |                            |                   |                |                                      |            |
| Balance, December 29, 2020                                          | 200                                  | \$ 218,248 | 98,645       | \$ 986   | \$ 878,148                 | \$ 1,110,087      | \$ (1,696,743) | \$ (3,785)                           | \$ 288,693 |
| Cumulative effect of adopting ASU 2020-06                           | —                                    | (4,763)    | —            | —        | —                          | 4,763             | —              | —                                    | 4,763      |
| Balance, December 29, 2020, as adjusted                             | 200                                  | 213,485    | 98,645       | 986      | 878,148                    | 1,114,850         | (1,696,743)    | (3,785)                              | 293,456    |
| Net income                                                          | —                                    | —          | —            | —        | —                          | 3,868             | —              | —                                    | 3,868      |
| Foreign currency translation adjustment                             | —                                    | —          | —            | —        | —                          | —                 | —              | 174                                  | 174        |
| Change in derivative, net of tax                                    | —                                    | —          | —            | —        | —                          | —                 | —              | 1,738                                | 1,738      |
| Cash dividends declared common stock, net of forfeitures            | —                                    | —          | —            | —        | —                          | 399               | —              | —                                    | 399        |
| Stock-based compensation                                            | —                                    | —          | 293          | 3        | 5,480                      | —                 | —              | —                                    | 5,483      |
| Common stock issued under stock-based compensation plans            | —                                    | —          | 570          | 6        | 20,417                     | —                 | —              | —                                    | 20,423     |
| Treasury stock purchases                                            | —                                    | —          | —            | —        | —                          | —                 | (3,957)        | —                                    | (3,957)    |
| Cash dividends declared Series A preferred stock, \$25.35 per share | —                                    | —          | —            | —        | —                          | (5,070)           | —              | —                                    | (5,070)    |
| Balance, March 30, 2021                                             | 200                                  | \$ 213,485 | 99,508       | \$ 995   | \$ 904,045                 | \$ 1,114,047      | \$ (1,700,700) | \$ (1,873)                           | \$ 316,514 |
| Net income                                                          | —                                    | —          | —            | —        | —                          | 33,715            | —              | —                                    | 33,715     |
| Foreign currency translation adjustment                             | —                                    | —          | —            | —        | —                          | —                 | —              | 219                                  | 219        |
| Change in derivative, net of tax                                    | —                                    | —          | —            | —        | —                          | —                 | —              | 1,726                                | 1,726      |
| Cash dividends declared common stock, net of forfeitures            | —                                    | —          | —            | —        | —                          | 15                | —              | —                                    | 15         |
| Stock-based compensation                                            | —                                    | —          | 44           | 1        | 5,540                      | —                 | —              | —                                    | 5,541      |
| Common stock issued under stock-based compensation plans            | —                                    | —          | 118          | 1        | 4,361                      | —                 | —              | —                                    | 4,362      |
| Common stock issuance                                               | —                                    | —          | 3,125        | 31       | 167,019                    | —                 | —              | —                                    | 167,050    |
| Treasury stock purchases                                            | —                                    | —          | —            | —        | —                          | —                 | (603)          | —                                    | (603)      |
| Series A preferred stock cash-settled conversion                    | (150)                                | (160,114)  | —            | —        | (283,637)                  | —                 | —              | —                                    | (283,637)  |
| Series A preferred stock conversion to common stock                 | (50)                                 | (53,371)   | 2,401        | 24       | 53,273                     | —                 | —              | —                                    | 53,297     |
| Deemed dividends on Series A preferred stock                        | —                                    | —          | —            | —        | —                          | (13,591)          | —              | —                                    | (13,591)   |
| Balance, June 29, 2021                                              | —                                    | \$ —       | 105,196      | \$ 1,052 | \$ 850,601                 | \$ 1,134,186      | \$ (1,701,303) | \$ 72                                | \$ 284,608 |

See the accompanying notes to the condensed consolidated financial statements.

**THE CHEESECAKE FACTORY INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

|                                                                               | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|-------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Cash flows from operating activities:                                         |                                            |                                            |
| Net income                                                                    | \$ 48,819                                  | \$ 37,583                                  |
| Adjustments to reconcile net income to cash provided by operating activities: |                                            |                                            |
| Depreciation and amortization expenses                                        | 44,113                                     | 44,229                                     |
| Impairment of assets and lease termination expense                            | 250                                        | 394                                        |
| Deferred income taxes                                                         | 279                                        | (2,895)                                    |
| Stock-based compensation                                                      | 11,607                                     | 10,935                                     |
| Changes in assets and liabilities:                                            |                                            |                                            |
| Accounts and other receivables                                                | 23,781                                     | 17,048                                     |
| Income taxes receivable/payable                                               | (3,618)                                    | 1,106                                      |
| Inventories                                                                   | (9,447)                                    | (2,504)                                    |
| Prepaid expenses                                                              | 3,071                                      | 3,274                                      |
| Operating lease assets/liabilities                                            | (9,813)                                    | (3,883)                                    |
| Other assets                                                                  | 14,992                                     | (6,612)                                    |
| Accounts payable                                                              | 8,937                                      | (3,072)                                    |
| Gift card liabilities                                                         | (28,887)                                   | (15,562)                                   |
| Other accrued expenses                                                        | (16,567)                                   | 50,397                                     |
| Cash provided by operating activities                                         | 87,517                                     | 130,438                                    |
| Cash flows from investing activities:                                         |                                            |                                            |
| Additions to property and equipment                                           | (46,382)                                   | (30,902)                                   |
| Additions to intangible assets                                                | (282)                                      | (312)                                      |
| Other                                                                         | 646                                        | (1,000)                                    |
| Cash used in investing activities                                             | (46,018)                                   | (32,214)                                   |
| Cash flows from financing activities:                                         |                                            |                                            |
| Acquisition-related deferred consideration and compensation                   | (7,187)                                    | —                                          |
| Repayment on credit facility                                                  | —                                          | (150,000)                                  |
| Convertible debt issuance                                                     | —                                          | 345,000                                    |
| Convertible debt direct and incremental costs                                 | —                                          | (10,074)                                   |
| Series A preferred stock cash-settled conversion                              | —                                          | (443,751)                                  |
| Series A preferred stock conversion direct and incremental costs              | —                                          | (74)                                       |
| Series A preferred stock dividends paid                                       | —                                          | (18,661)                                   |
| Common stock issuance                                                         | —                                          | 175,000                                    |
| Common stock issuance direct and incremental costs                            | —                                          | (7,950)                                    |
| Proceeds from exercise of stock options                                       | 83                                         | 24,785                                     |
| Common stock dividends paid                                                   | (14,288)                                   | (337)                                      |
| Treasury stock purchases                                                      | (14,817)                                   | (4,560)                                    |
| Cash used in financing activities                                             | (36,209)                                   | (90,622)                                   |
| Foreign currency translation adjustment                                       | (26)                                       | 81                                         |
| Net change in cash and cash equivalents                                       | 5,264                                      | 7,683                                      |
| Cash and cash equivalents at beginning of period                              | 189,627                                    | 154,085                                    |
| Cash and cash equivalents at end of period                                    | \$ 194,891                                 | \$ 161,768                                 |
| Supplemental disclosures:                                                     |                                            |                                            |
| Interest paid                                                                 | \$ 2,726                                   | \$ 6,884                                   |
| Income taxes paid                                                             | \$ 9,720                                   | \$ 4,877                                   |
| Construction payable                                                          | \$ 8,439                                   | \$ 5,016                                   |

See the accompanying notes to the condensed consolidated financial statements.

**THE CHEESECAKE FACTORY INCORPORATED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Significant Accounting Policies**

*Basis of Presentation*

The accompanying condensed consolidated financial statements include the accounts of The Cheesecake Factory Incorporated and its wholly owned subsidiaries (referred to herein collectively as the “Company,” “we,” “us” and “our”) and are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany accounts and transactions for the periods presented have been eliminated in consolidation. The unaudited financial statements presented herein include all material adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for the fair statement of the financial condition, results of operations and cash flows for the period. However, these results are not necessarily indicative of results that may be achieved for any other interim period or for the full fiscal year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to the rules of the Securities and Exchange Commission (“SEC”). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2021 filed with the SEC on February 22, 2022.

We utilize a 52/53-week fiscal year ending on the Tuesday closest to December 31 for financial reporting purposes. Fiscal year 2022 consists of 53 weeks and will end on January 3, 2023. Fiscal year 2021, which ended on December 28, 2021, was a 52-week year.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ from these estimates.

*COVID-19 Pandemic*

Beginning in March 2020, COVID-19 and measures to prevent its spread led to temporary closures, shifts to an off-premise only operating model or reduced dining room capacity across our portfolio. While restrictions on the type of permitted operating model and occupancy capacity may continue to change, currently all of our restaurants are operating with no capacity restrictions. The ongoing effects of COVID-19 and its variants, including, but not limited to, consumer behavior, capacity restrictions, mask and vaccination mandates, wage inflation, our ability to continue to staff our restaurants and disruptions in the supply chain, will determine the impact to our operating results and financial position. The impact to our operations has been most notable during the periods of greatest accelerating COVID-19 case counts. We have incurred and will continue to incur additional costs to address government regulations and the safety of our staff members and customers.

*Recent Accounting Pronouncements*

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity, which is intended to simplify the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity’s own equity. This pronouncement is effective for fiscal years beginning after December 15, 2021 and early adoption is permitted. The guidance allows for either full retrospective adoption or modified retrospective adoption. We adopted this guidance in the first quarter of fiscal 2021 utilizing the modified retrospective method and, accordingly, recorded a \$4.8 million cumulative adjustment to retained earnings to reverse previously recorded beneficial conversion features.

As further discussed in Note 5, we issued certain convertible senior notes due 2026 (“Notes”) during the second quarter of fiscal 2021, and the accounting for these instruments was based on the guidance in ASU 2020-06. Additionally, the impact on diluted earnings per share of the Notes was calculated based on the if-converted method, as further described in Note 11.

## 2. Fair Value Measurements

Fair value measurements are estimated based on valuation techniques and inputs categorized as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities; and
- Level 3: Unobservable inputs in which little or no market activity exists, therefore requiring the Company to develop its own assumptions.

The following tables present the components and classification of our assets and liabilities that are measured at fair value on a recurring basis (in thousands):

|                                                                           | June 28, 2022 |          |          |
|---------------------------------------------------------------------------|---------------|----------|----------|
|                                                                           | Level 1       | Level 2  | Level 3  |
| <b>Assets/(Liabilities)</b>                                               |               |          |          |
| Non-qualified deferred compensation assets                                | \$ 77,172     | \$ —     | \$ —     |
| Non-qualified deferred compensation liabilities                           | (76,712)      | —        | —        |
| Acquisition-related deferred consideration                                | —             | (21,782) | —        |
| Acquisition-related contingent consideration and compensation liabilities | —             | —        | (17,764) |

|                                                                           | December 28, 2021 |          |          |
|---------------------------------------------------------------------------|-------------------|----------|----------|
|                                                                           | Level 1           | Level 2  | Level 3  |
| <b>Assets/(Liabilities)</b>                                               |                   |          |          |
| Non-qualified deferred compensation assets                                | \$ 92,588         | \$ —     | \$ —     |
| Non-qualified deferred compensation liabilities                           | (92,012)          | —        | —        |
| Acquisition-related deferred consideration                                | —                 | (21,642) | —        |
| Acquisition-related contingent consideration and compensation liabilities | —                 | —        | (23,894) |

The following table presents a reconciliation of the beginning and ending amounts of the fair value of the acquisition-related contingent consideration and compensation liabilities categorized as Level 3 (in thousands):

|                      | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|----------------------|--------------------------------------------|--------------------------------------------|
| Beginning balance    | \$ 23,894                                  | \$ 7,465                                   |
| Payment              | (7,187)                                    | —                                          |
| Change in fair value | 1,057                                      | 11,216                                     |
| Ending balance       | <u>\$ 17,764</u>                           | <u>\$ 18,681</u>                           |

The fair value of the acquisition-related contingent consideration and compensation liabilities was determined utilizing a Monte Carlo model based on estimated future revenues, margins and volatility factors, among other variables and estimates and has no minimum or maximum payment. The undiscounted range of outcomes per the Monte Carlo model utilized to determine the fair value of the acquisition-related contingent consideration and compensation liabilities at June 28, 2022 was \$0 to \$204.0 million. Results could change materially if different estimates and assumptions were used. The significant decrease in the fair value of the contingent consideration and compensation liabilities during the first half of fiscal 2022 primarily related to the payment of \$7.2 million per the Fox Restaurant Concept LLC (“FRC”) acquisition agreement.

The fair values of our cash and cash equivalents, accounts and other receivables, income taxes receivable, prepaid expenses, accounts payable, income taxes payable and other accrued liabilities approximate their carrying amounts.

As of June 28, 2022, we had \$345.0 million aggregate principal amount of Notes outstanding. The estimated fair value of the Notes based on a market approach as of June 28, 2022 was approximately \$269.1 million and was determined based on the estimated

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or actual bids and offers of the Notes in an over-the-counter market on the last business day of the reporting period. See Note 5 for further discussion of the Notes.

### 3. Inventories

Inventories consisted of (in thousands):

|                                            | June 28, 2022    | December 28, 2021 |
|--------------------------------------------|------------------|-------------------|
| Restaurant food and supplies               | \$ 28,143        | \$ 27,877         |
| Bakery finished goods and work in progress | 15,767           | 7,951             |
| Bakery raw materials and supplies          | 8,376            | 7,011             |
| Total                                      | <u>\$ 52,286</u> | <u>\$ 42,839</u>  |

### 4. Gift Cards

The following tables present information related to gift cards (in thousands):

|                            | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|----------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Gift card liabilities:     |                                          |                                          |                                            |                                            |
| Beginning balance          | \$ 185,512                               | \$ 166,178                               | \$ 211,182                                 | \$ 184,655                                 |
| Activations                | 28,607                                   | 32,487                                   | 49,197                                     | 48,952                                     |
| Redemptions and breakage   | (31,824)                                 | (29,567)                                 | (78,084)                                   | (64,509)                                   |
| Ending balance             | <u>\$ 182,295</u>                        | <u>\$ 169,098</u>                        | <u>\$ 182,295</u>                          | <u>\$ 169,098</u>                          |
|                            |                                          |                                          |                                            |                                            |
|                            | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
| Gift card contract assets: |                                          |                                          |                                            |                                            |
| Beginning balance          | \$ 17,541                                | \$ 16,255                                | \$ 18,468                                  | \$ 17,955                                  |
| Deferrals                  | 3,189                                    | 3,412                                    | 5,891                                      | 5,707                                      |
| Amortization               | (3,669)                                  | (3,856)                                  | (7,298)                                    | (7,851)                                    |
| Ending balance             | <u>\$ 17,061</u>                         | <u>\$ 15,811</u>                         | <u>\$ 17,061</u>                           | <u>\$ 15,811</u>                           |

### 5. Long-Term Debt

#### *Revolving Credit Facility*

On March 30, 2021, we entered into a Second Amendment (the “Second Amendment”) to our existing Third Amended and Restated Loan Agreement, dated July 30, 2019 (as amended by that certain First Amendment, dated as of May 1, 2020 and by the Second Amendment, collectively, the “Amended Credit Agreement”). The Amended Credit Agreement, which terminates on July 30, 2024, consists of a \$400 million revolving loan facility (the “Revolving Facility”), including a \$40 million sublimit for letters of credit. The Amended Credit Agreement also provides the ability to increase the Revolving Facility in an amount not to exceed (a) during the Covenant Relief Period (as defined below), \$125 million and (b) thereafter, \$200 million. The funding of any such increases are subject to receipt of lender commitments and satisfaction of customary conditions precedent. Certain of our material subsidiaries have guaranteed our obligations under the Amended Credit Agreement.

The Second Amendment, among other things, (i) extended the prior covenant relief period during which the testing of the net adjusted debt to EBITDAR ratio covenant (the “Net Adjusted Leverage Ratio”) and the EBITDAR to interest and rent expense ratio covenant (the “EBITDAR Ratio”) was suspended until the quarter ending December 28, 2021 (the “Covenant Relief Period”), (ii) continued to impose a monthly Liquidity covenant of \$100 million (with “Liquidity” being the sum of (a) unrestricted cash and cash equivalents and (b) the unused portion of the Revolving Facility) until the Company demonstrated compliance with the financial covenants as of the quarter ending December 28, 2021, (iii) provided that the obligations thereunder be secured by a first priority security interest in substantially all of our and any guarantor’s property, with such property to be released upon (a) the termination of

the Covenant Relief Period, (b) the Company's compliance with the Net Adjusted Leverage Ratio and the EBITDAR Ratio as of the quarter ending on March 29, 2022, (c) neither the Company nor any of the guarantors having incurred unsecured debt using certain debt baskets under the Revolving Facility unless such debt is convertible debt or subordinated on customary debt subordination terms reasonably acceptable to the administrative agent and (d) no default or event of default having occurred or continuing, (iv) amended certain negative covenants during the Covenant Relief Period, including certain restrictions on capital expenditures, restricted payments, investments and indebtedness, and (v) permitted the payment of cash dividends with respect to our Series A Convertible Preferred Stock, par value \$0.01 per share ("Series A preferred stock") for each fiscal quarter of 2021 in an amount not to exceed \$5.25 million per quarter. Subsequent to the Covenant Relief Period, we are required to maintain (i) a maximum Net Adjusted Leverage Ratio of 4.75 and (ii) a minimum EBITDAR Ratio of 1.9. Our Net Adjusted Leverage and EBITDAR Ratios were 4.1 and 2.2, respectively, at June 28, 2022, and we were in compliance with all covenants in effect at that date. Concurrently with our delivery of the compliance certificate demonstrating our compliance with the financial covenants in the Amended Credit Agreement as of December 28, 2021, the Covenant Relief Period was terminated.

Borrowings under the Amended Credit Agreement during the Covenant Relief Period bore interest, at our option, at a rate equal to either: (i) the adjusted LIBO Rate (as customarily defined, the "Adjusted LIBO Rate") plus 2.5%, or (ii) the sum of (a) the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in effect in the United States, (2) the greater of the rate calculated by the Federal Reserve Bank of New York as the effective federal funds rate or the rate that is published by the Federal Reserve Bank of New York as an overnight bank funding rate, in either case plus 0.5%, and (3) the one-month Adjusted LIBO Rate plus 1.0%, plus (b) 1.5%. During the Covenant Relief Period, we also incurred a fee of 0.4% on the daily amount of unused commitments.

Subsequent to the Covenant Relief Period, borrowings under the Amended Credit Agreement bear interest, at our option, at a rate equal to either: (i) the Adjusted LIBO Rate plus a margin that is based on our net adjusted leverage ratio, or (ii) the sum of (a) the highest of (1) the rate of interest last quoted by The Wall Street Journal as the prime rate in effect in the United States, (2) the greater of the rate calculated by the Federal Reserve Bank of New York as the effective federal funds rate or the rate that is published by the Federal Reserve Bank of New York as an overnight bank funding rate, in either case plus 0.5%, and (3) the one-month Adjusted LIBO Rate plus 1.0%, plus (b) a margin that is based on our net adjusted leverage ratio. Subsequent to the Covenant Relief Period, we will also incur a fee of 0.1% to 0.2% on the daily amount of unused commitments.

Letters of credit bear fees that are equivalent to the interest rate margin that is applicable to revolving loans that bear interest at the adjusted LIBO Rate plus other customary fees charged by the issuing bank. We paid certain customary loan origination fees in conjunction with the Amended Credit Agreement. At June 28, 2022, we had net availability for borrowings of \$237.7 million, based on a \$130.0 million outstanding debt balance and \$32.3 million in standby letters of credit.

The Amended Credit Agreement contains customary affirmative and negative covenants, including limits on cash dividends and share repurchases with respect to our equity interests, and restrictions on indebtedness, liens, investments, sales of assets, fundamental changes and other matters. The Amended Credit Agreement also contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgements, cross defaults to material indebtedness and events constituting a change of control. The occurrence of an event of default could result in the termination of commitments under the Revolving Facility, the declaration that all outstanding loans are immediately due and payable in whole or in part and the requirement of cash collateral deposits in respect of outstanding letters of credit.

#### *Convertible Senior Notes*

On June 15, 2021, we issued \$345.0 million aggregate principal amount of convertible senior notes due 2026 ("Notes"). The net proceeds from the sale of the Notes were approximately \$334.9 million after deducting issuance costs related to the Notes.

The Notes are senior, unsecured obligations and are (i) equal in right of payment with our existing and future senior, unsecured indebtedness; (ii) senior in right of payment to our existing and future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to our existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiaries. The Notes were issued pursuant to, and are governed by, an indenture (the "Base Indenture") between us and a trustee ("Trustee"), dated as of June 15, 2021, as

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supplemented by a first supplemental indenture (the “Supplemental Indenture,” and the Base Indenture, as supplemented by the Supplemental Indenture, the “Indenture”), dated as of June 15, 2021, between the Company and the Trustee.

The Notes accrue interest at a rate of 0.375% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2021. The Notes will mature on June 15, 2026, unless earlier repurchased, redeemed or converted. Before February 17, 2026, noteholders will have the right to convert their Notes only upon the occurrence of certain events. From and after February 17, 2026, noteholders may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. We will have the right to elect to settle conversions either entirely in cash or in a combination of cash and shares of our common stock. However, upon conversion of any Notes, the conversion value, which will be determined over an “Observation Period” (as defined in the Indenture) consisting of 30 trading days, will be paid in cash up to at least the principal amount of the Notes being converted. The initial conversion rate is 12.7551 shares of common stock per \$1,000 principal amount of Notes, which represents an initial conversion price of approximately \$78.40 per share of common stock. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. As of June 28, 2022, the conversion rate is 12.8586 shares of common stock per \$1,000 principal amount of the Notes, which represents a conversion price of approximately \$77.77 per share of common stock. In connection with the cash dividend that was declared by our Board on July 21, 2022, on August 11, 2022 we will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the Notes in accordance with the terms.

The Notes are redeemable, in whole or in part (subject to certain limitations described below), at our option at any time, and from time to time, on or after June 20, 2024 and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (ii) the trading day immediately before the date we send such notice. However, we may not redeem less than all of the outstanding Notes unless at least \$150.0 million aggregate principal amount of Notes are outstanding and not called for redemption as of the time we send the related redemption notice. In addition, calling any Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

If certain corporate events that constitute a “Fundamental Change” (as defined in the Indenture) occur, then, subject to a limited exception for certain cash mergers, noteholders may require us to repurchase their Notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving us and certain de-listing events with respect to our common stock.

The Notes will have customary provisions relating to the occurrence of “Events of Default” (as defined in the Indenture), which include the following: (i) certain payment defaults on the Notes (which, in the case of a default in the payment of interest on the Notes, will be subject to a 30-day cure period); (ii) our failure to send certain notices under the Indenture within specified periods of time; (iii) our failure to comply with certain covenants in the Indenture relating to our ability to consolidate with or merge with or into, or sell, lease or otherwise transfer, in one transaction or a series of transactions, all or substantially all of our assets and our subsidiaries, taken as a whole, to another person; (iv) a default by us in our other obligations or agreements under the Indenture or the Notes if such default is not cured or waived within 60 days after notice is given in accordance with the Indenture; (v) certain defaults by us or any of our significant subsidiaries with respect to indebtedness for borrowed money of at least \$20,000,000; (vi) the rendering of certain judgments against us or any of our significant subsidiaries for the payment of at least \$25,000,000, where such judgments are not discharged or stayed within 60 days after the date on which the right to appeal has expired or on which all rights to appeal have been extinguished; and (vii) certain events of bankruptcy, insolvency and reorganization involving us or any of our significant subsidiaries.

If an Event of Default involving bankruptcy, insolvency or reorganization events with respect to us (and not solely with respect to a significant subsidiary of ours) occurs, then the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding will immediately become due and payable without any further action or notice by any person. If any other Event of Default occurs and is continuing, then, the Trustee, by notice to us, or noteholders of at least 25% of the aggregate principal amount of

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Notes then outstanding, by notice to us and the Trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding to become due and payable immediately. However, notwithstanding the foregoing, we may elect, at our option, that the sole remedy for an Event of Default relating to certain failures by us to comply with certain reporting covenants in the Indenture consists exclusively of the right of the noteholders to receive special interest on the Notes for up to 180 days at a specified rate per annum not exceeding 0.50% on the principal amount of the Notes.

As of June 28, 2022, the Notes had a gross principal balance of \$345.0 million and a balance of \$337.0 million, net of unamortized issuance costs. Total amortization expense was \$0.5 million and \$1.0 million during the thirteen and twenty-six weeks ended June 28, 2022, respectively. The effective interest rate for the Notes was 0.96% as of June 28, 2022.

## 6. Leases

Components of lease expense were as follows (in thousands):

|            | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Operating  | \$ 34,777                                | \$ 32,460                                | \$ 67,653                                  | \$ 64,854                                  |
| Variable   | 20,695                                   | 19,212                                   | 40,349                                     | 35,693                                     |
| Short-term | 27                                       | 71                                       | 54                                         | 141                                        |
| Total      | <u>\$ 55,499</u>                         | <u>\$ 51,743</u>                         | <u>\$ 108,056</u>                          | <u>\$ 100,688</u>                          |

Supplemental information related to leases (in thousands):

|                                                                              | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Cash paid for amounts included in the measurement of lease liabilities:      |                                            |                                            |
| Operating cash flows for operating leases                                    | \$ 68,202                                  | \$ 68,559                                  |
| Right-of-use assets obtained in exchange for new operating lease liabilities | 19,295                                     | 20,021                                     |

## 7. Derivative

We terminated our interest rate swap agreement in the second quarter of fiscal 2021. This interest rate swap, which would have matured on April 1, 2025, was established to manage our exposure to interest rate movements on our Revolving Facility. The interest rate swap entitled us to receive a variable rate of interest based on the one-month LIBO rate in exchange for the payment of a fixed interest rate of 0.802%. The notional amount of the swap agreement was \$280.0 million through March 31, 2023 and \$140.0 million from April 1, 2023 through April 1, 2025. The differences between the variable LIBO rate and the interest rate swap rate were settled monthly. Prior to termination, the interest rate swap was determined to be an effective hedging agreement.

Our only derivative was the aforementioned interest rate swap, which is designated as a cash flow hedge. No gains or losses representing amounts excluded from the assessment of effectiveness were recognized in earnings in the first two quarters of fiscal 2021.

The following table summarizes the changes related to the interest rate swap in accumulated other comprehensive income ("AOCI"), net of tax, during the twenty-six weeks ended June 29, 2021 (in thousands):

|                                                   |             |
|---------------------------------------------------|-------------|
| Beginning balance                                 | \$ (3,464)  |
| Other comprehensive loss before reclassifications | 2,514       |
| Amounts reclassified from AOCI                    | 950         |
| Other comprehensive loss, net of tax              | 3,464       |
| Ending balance                                    | <u>\$ —</u> |

We classified this interest rate swap within Level 2 of the valuation hierarchy described in Note 2. Our counterparty under this arrangement provided monthly statements of the market values of this instrument based on significant inputs that were observable or could be derived principally from, or corroborated by, observable market data for substantially the full term of the asset or liability. The impact on the derivative liability for our and the counterparty's non-performance risk to the derivative trade was considered when measuring the fair value of derivative liability.

## **8. Commitments and Contingencies**

On June 7, 2018, the California Department of Industrial Relations issued a \$4.2 million wage citation jointly against the Company and our vendor that provides janitorial services to eight of our Southern California restaurants, alleging that the janitorial vendor or its subcontractor failed to comply with various provisions of the California Labor Code (Wage Citation Case No. 35-CM-188798-16). The wage citation seeks to recover penalties and other monetary payments on behalf of the employees that worked for this vendor or its subcontractor. On June 28, 2018, we filed an appeal of the wage citation. The hearing on the Company's appeal is scheduled to take place in September 2022. Based on the current status of this matter, we have reserved an immaterial amount.

On June 22, 2018, the Internal Revenue Service issued a Notice of Deficiency in which they disallowed a portion of our §199 Domestic Production Activities Deduction for tax years 2010, 2011 and 2012. On September 11, 2018, we petitioned the United States Tax Court for a redetermination of the deficiency. The tax court assigned docket number 18150-18 to our case. On April 29, 2022, the parties filed a Settlement Stipulation and a Proposed Stipulated Decision (the "Decision") with the tax court stipulating to the amount of income tax deficiency. On May 11, 2022, the court entered the Decision in accordance with the stipulation of the parties. We have reserved an immaterial amount in connection with the Decision.

Within the ordinary course of our business, we are subject to private lawsuits, government audits and investigations, administrative proceedings and other claims. These matters typically involve claims from customers, staff members and others related to operational and employment issues common to the foodservice industry. A number of these claims may exist at any given time, and some of the claims may be pled as class actions. From time to time, we are also involved in lawsuits with respect to infringements of, or challenges to, our registered trademarks and other intellectual property, both domestically and abroad. We could be affected by adverse publicity and litigation costs resulting from such allegations, regardless of whether they are valid or whether we are legally determined to be liable.

At this time, we believe that the amount of reasonably possible losses resulting from final disposition of any pending lawsuits, audits, investigations, proceedings and claims will not have a material adverse effect individually or in the aggregate on our financial position, results of operations or liquidity. It is possible, however, that our future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to lawsuits, audits, proceedings or claims. Legal costs related to such claims are expensed as incurred.

## **9. Stockholders' Equity and Series A Convertible Preferred Stock**

### *Common Stock Issuance*

On June 15, 2021, we issued 3.125 million shares of our common stock for \$175.0 million. In connection with the issuance, we incurred direct and incremental costs of \$8.0 million.

### *Common Stock – Dividends and Share Repurchases*

On April 21, 2022, our Board declared a quarterly cash dividend of \$0.27 per share that was paid on May 24, 2022 to the stockholders of record of each share of our common stock at the close of business on May 11, 2022. Future decisions to pay or to increase or decrease dividends are at the discretion of the Board and will be dependent on our operating performance, financial condition, capital expenditure requirements, limitations on cash distributions pursuant to the terms and conditions of the Amended Credit Agreement and applicable law, and such other factors that the Board considers relevant. (See Note 5 for further discussion of our long-term debt.)

Under authorization by our Board to repurchase up to 56.0 million shares of our common stock, we have cumulatively repurchased 53.6 million shares at a total cost of \$1,717.3 million through June 28, 2022, with 359,705 shares and 457,387 shares repurchased at a cost of \$10.9 million and \$14.8 million during the thirteen and twenty-six weeks ended June 28, 2022, respectively.

Our objectives with regard to share repurchases have been to offset the dilution to our shares outstanding that results from equity compensation grants and to supplement our earnings per share growth.

Our share repurchase program does not have an expiration date, does not require us to purchase a specific number of shares and may be modified, suspended or terminated at any time. Share repurchases may be made from time to time in open market purchases, privately negotiated transactions, accelerated share repurchase programs, issuer self-tender offers or otherwise. Future decisions to repurchase shares are at the discretion of the Board and are based on several factors, including current and forecasted operating cash flows, capital needs associated with new restaurant development and maintenance of existing locations, dividend payments, debt levels and cost of borrowing, obligations associated with the FRC acquisition agreement, our share price and current market conditions. The timing and number of shares repurchased are also subject to legal constraints and covenants under the Amended Credit Agreement that limit share repurchases based on a defined ratio. (See Note 5 for further discussion of our long-term debt.)

#### *Series A Convertible Preferred Stock*

On April 20, 2020, we issued 200,000 shares of Series A Convertible Preferred Stock, par value \$0.01 per share for an aggregate purchase price of \$200 million, or \$1,000 per share. In connection with the issuance, we incurred direct and incremental costs of \$10.3 million, including financial advisory fees, closing costs, legal expenses, a commitment fee and other offering-related expenses. These direct and incremental costs reduced the Series A preferred stock balance at the issuance date and were recognized through retained earnings on June 30, 2020, the first measurement date. Upon adoption of ASU 2020-06 in the first quarter of fiscal 2021, we recorded a \$4.8 million cumulative adjustment to retained earnings to reverse beneficial conversion features recorded during fiscal 2020.

On June 15, 2021, we paid \$443.8 million in connection with the cash-settled conversion of 150,000 shares of our outstanding Series A preferred stock (effected through a repurchase agreement), which was recognized through additional paid in capital. We also share-settled the conversion of the remaining 50,000 shares of our outstanding Series A convertible preferred stock into 2,400,864 shares of our common stock. These are both based on the then current Liquidation Preference per share of \$1,067.42 and conversion price of \$22.23.

During the first quarter of fiscal 2021, we declared a cash dividend of \$5.1 million, or \$25.35 per share, on the Series A preferred stock. During the second quarter of fiscal 2021, \$13.6 million in payments were made in connection with the conversion of the preferred stock, consisting of \$3.9 million, or \$19.72 per share of accrued dividends and \$9.7 million of an inducement, which was also deemed to be a dividend.

### **10. Stock-Based Compensation**

We maintain stock-based incentive plans under which incentive stock options, non-qualified stock options, stock appreciation rights, restricted shares and restricted share units may be granted to staff members, consultants and non-employee directors.

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On March 24, 2022, our Board approved an amendment to our The Cheesecake Factory Incorporated Stock Incentive Plan to increase the number of shares of common stock reserved for grant under the plan to 19.8 million shares from 17.5 million shares. This amendment was approved by our stockholders at our annual meeting held on May 23, 2022.

The following table presents information related to stock-based compensation, net of forfeitures (in thousands):

|                                                     | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|-----------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Labor expenses                                      | \$ 2,194                                 | \$ 2,061                                 | \$ 4,384                                   | \$ 4,103                                   |
| Other operating costs and expenses                  | 74                                       | 72                                       | 150                                        | 146                                        |
| General and administrative expenses                 | 3,821                                    | 3,359                                    | 7,073                                      | 6,686                                      |
| Total stock-based compensation                      | 6,089                                    | 5,492                                    | 11,607                                     | 10,935                                     |
| Income tax benefit                                  | 1,495                                    | 1,349                                    | 2,850                                      | 2,685                                      |
| Total stock-based compensation, net of taxes        | \$ 4,594                                 | \$ 4,143                                 | \$ 8,757                                   | \$ 8,250                                   |
| Capitalized stock-based compensation <sup>(1)</sup> | \$ 52                                    | \$ 49                                    | \$ 109                                     | \$ 88                                      |

- (1) It is our policy to capitalize the portion of stock-based compensation costs for our internal development department that relates to capitalizable activities such as the design and construction of new restaurants, remodeling existing locations and equipment installation. Capitalized stock-based compensation is included in property and equipment, net on the condensed consolidated balance sheets.

#### Stock Options

We did not issue any stock options during the second quarter of fiscal 2022 or fiscal 2021. Stock option activity during the twenty-six weeks ended June 28, 2022 was as follows:

|                                  | Shares<br>(In thousands) | Weighted-<br>Average<br>Exercise Price<br>(Per share) | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term<br>(In years) | Aggregate<br>Intrinsic Value <sup>(1)</sup><br>(In thousands) |
|----------------------------------|--------------------------|-------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------|
| Outstanding at December 28, 2021 | 1,716                    | \$ 46.14                                              | 5.1                                                                    | \$ 0                                                          |
| Granted                          | —                        | —                                                     |                                                                        |                                                               |
| Exercised                        | (2)                      | 40.16                                                 |                                                                        |                                                               |
| Forfeited or cancelled           | (29)                     | 48.19                                                 |                                                                        |                                                               |
| Outstanding at June 28, 2022     | 1,685                    | \$ 46.11                                              | 4.7                                                                    | \$ 0                                                          |
| Exercisable at June 28, 2022     | 1,117                    | \$ 48.10                                              | 3.7                                                                    | \$ 0                                                          |

- (1) Aggregate intrinsic value is calculated as the difference between our closing stock price at fiscal period end and the exercise price, multiplied by the number of in-the-money options and represents the pre-tax amount that would have been received by the option holders, had they all exercised their options on the fiscal period end date.

There were no options exercised during the thirteen weeks ended June 28, 2022. The total intrinsic value of options exercised during the twenty-six weeks ended June 28, 2022 was \$4.9 million. The total intrinsic value of options exercised during the thirteen and twenty-six weeks ended June 29, 2021 was \$1.4 million and \$7.1 million, respectively. As of June 28, 2022, total unrecognized stock-based compensation expense related to unvested stock options was \$3.6 million, which we expect to recognize over a weighted-average period of approximately 2.2 years.

*Restricted Shares and Restricted Share Units*

Restricted share and restricted share unit activity during the twenty-six weeks ended June 28, 2022 was as follows:

|                                  | Shares<br>(In thousands) | Weighted-Average<br>Fair Value<br>(Per share) |
|----------------------------------|--------------------------|-----------------------------------------------|
| Outstanding at December 28, 2021 | 2,123                    | \$ 44.82                                      |
| Granted                          | 655                      | 39.40                                         |
| Vested                           | (306)                    | 47.39                                         |
| Forfeited                        | (76)                     | 42.81                                         |
| Outstanding at June 28, 2022     | 2,396                    | \$ 43.07                                      |

Fair value of our restricted shares and restricted share units is based on our closing stock price on the date of grant. The weighted average fair value for restricted shares and restricted share units issued during the second quarter of fiscal 2022 and 2021 was \$30.49 and \$59.07, respectively. The fair value of shares that vested during the thirteen and twenty-six weeks ended June 28, 2022 was \$2.1 million and \$14.5 million, respectively. The fair value of shares that vested during the thirteen weeks and twenty-six weeks ended June 29, 2021 was \$1.6 million and \$11.1 million, respectively. As of June 28, 2022, total unrecognized stock-based compensation expense related to unvested restricted shares and restricted share units was \$54.9 million, which we expect to recognize over a weighted-average period of approximately 3.1 years.

**11. Net Income Per Share**

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period, reduced by unvested restricted stock awards. At June 28, 2022 and June 29, 2021, 2.4 million and 2.1 million shares, respectively, of restricted stock issued were unvested and, therefore, excluded from the calculation of basic earnings per share for the fiscal periods ended on those dates.

Diluted net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common stock equivalents outstanding for the period. Common stock equivalents for the Notes are determined by application of the if-converted method, and common stock equivalents for outstanding stock options and restricted stock are determined by the application of the treasury stock method.

Holders of our Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A preferred stock") participated in dividends on an as-converted basis when declared on common stock. As a result, our Series A preferred stock met the definition of a participating security which required us to apply the two-class method to compute both basic and diluted net income per share. The two-class method is an earnings allocation formula that treats participating securities as having rights to earnings that would otherwise have been available to common stockholders. In addition, as our Series A preferred stock was a participating security, we were

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required to calculate diluted net income per share under the if-converted method in addition to the two-class method and utilize the most dilutive result.

|                                                                            | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|----------------------------------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| (In thousands, except per share data)                                      |                                          |                                          |                                            |                                            |
| Basic net income per common share:                                         |                                          |                                          |                                            |                                            |
| Net income                                                                 | \$ 25,656                                | \$ 33,715                                | \$ 48,819                                  | \$ 37,583                                  |
| Dividends on Series A preferred stock                                      | —                                        | (13,591)                                 | —                                          | (18,661)                                   |
| Undistributed earnings allocated to Series A preferred stock               | —                                        | (3,051)                                  | —                                          | (3,123)                                    |
| Net income available to common stockholders                                | 25,656                                   | 17,073                                   | 48,819                                     | 15,799                                     |
| Basic weighted-average shares outstanding                                  | 50,387                                   | 45,471                                   | 50,360                                     | 44,830                                     |
| Basic net income per common share                                          | \$ 0.51                                  | \$ 0.38                                  | \$ 0.97                                    | \$ 0.35                                    |
| Diluted net income per common share:                                       |                                          |                                          |                                            |                                            |
| Net income available to common stockholders                                | 25,656                                   | 17,073                                   | 48,819                                     | 15,799                                     |
| Reallocation of undistributed earnings to Series A preferred stock         | —                                        | 73                                       | —                                          | 65                                         |
| Net income available to common stockholders for diluted earnings per share | 25,656                                   | 17,146                                   | 48,819                                     | 15,864                                     |
| Basic weighted-average shares outstanding                                  | 50,387                                   | 45,471                                   | 50,360                                     | 44,830                                     |
| Dilutive effect of equity awards <sup>(1)</sup>                            | 542                                      | 1,306                                    | 606                                        | 1,145                                      |
| Diluted weighted-average shares outstanding                                | 50,929                                   | 46,777                                   | 50,966                                     | 45,975                                     |
| Diluted net income per common share                                        | \$ 0.50                                  | \$ 0.37                                  | \$ 0.96                                    | \$ 0.35                                    |

- (1) Shares of common stock equivalents related to outstanding stock options and restricted stock of 3.1 million and 0.9 million as of June 28, 2022 and June 29, 2021, respectively, were excluded from the diluted calculation due to their anti-dilutive effect. No shares of common stock equivalents related to the Notes were included in the diluted calculation due to their anti-dilutive effect.

## 12. Segment Information

Our operating segments, the businesses for which our management reviews discrete financial information for decision-making purposes, are comprised of The Cheesecake Factory, North Italia, Flower Child, the other FRC brands, our bakery division and Grand Lux Cafe. Based on quantitative thresholds set forth in Accounting Standards Codification (“ASC”) 280, “Segment Reporting,” The Cheesecake Factory, North Italia and the other FRC brands are the only businesses that meet the criteria of a reportable operating segment. The remaining operating segments (Flower Child, our bakery division and Grand Lux Cafe) along with our businesses that do not qualify as operating segments are combined in Other. Unallocated corporate expenses, capital expenditures and assets are also combined in Other.

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Segment information is presented below (in thousands):

|                                                             | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|-------------------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Revenues:</b>                                            |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 640,858                               | \$ 606,691                               | \$ 1,250,674                               | \$ 1,106,080                               |
| North Italia                                                | 56,238                                   | 43,566                                   | 108,995                                    | 76,390                                     |
| Other FRC                                                   | 60,020                                   | 47,458                                   | 118,852                                    | 83,652                                     |
| Other                                                       | 75,527                                   | 71,241                                   | 147,832                                    | 130,251                                    |
| Total                                                       | <u>\$ 832,643</u>                        | <u>\$ 768,956</u>                        | <u>\$ 1,626,353</u>                        | <u>\$ 1,396,373</u>                        |
| <b>Income from operations:</b>                              |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 64,327                                | \$ 83,198                                | \$ 127,771                                 | \$ 127,679                                 |
| North Italia                                                | 5,048                                    | 3,026                                    | 8,726                                      | 3,358                                      |
| Other FRC                                                   | 6,793                                    | 7,282                                    | 14,122                                     | 11,162                                     |
| Other                                                       | (48,226)                                 | (52,388)                                 | (94,356)                                   | (92,237)                                   |
| Total                                                       | <u>\$ 27,942</u>                         | <u>\$ 41,118</u>                         | <u>\$ 56,263</u>                           | <u>\$ 49,962</u>                           |
| <b>Depreciation and amortization:</b>                       |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 16,275                                | \$ 16,487                                | \$ 31,862                                  | \$ 32,807                                  |
| North Italia                                                | 1,222                                    | 981                                      | 2,520                                      | 1,825                                      |
| Other FRC                                                   | 1,470                                    | 1,038                                    | 3,051                                      | 2,215                                      |
| Other                                                       | 3,641                                    | 3,717                                    | 6,680                                      | 7,382                                      |
| Total                                                       | <u>\$ 22,608</u>                         | <u>\$ 22,223</u>                         | <u>\$ 44,113</u>                           | <u>\$ 44,229</u>                           |
| <b>Impairment of assets and lease termination expenses:</b> |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 106                                   | \$ —                                     | \$ (59)                                    | \$ —                                       |
| North Italia                                                | —                                        | —                                        | —                                          | —                                          |
| Other FRC                                                   | —                                        | —                                        | —                                          | —                                          |
| Other                                                       | —                                        | —                                        | 372                                        | 594                                        |
| Total                                                       | <u>\$ 106</u>                            | <u>\$ —</u>                              | <u>\$ 313</u>                              | <u>\$ 594</u>                              |
| <b>Capital expenditures:</b>                                |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 8,324                                 | \$ 7,846                                 | \$ 28,921                                  | \$ 11,926                                  |
| North Italia                                                | 4,825                                    | 5,277                                    | 7,829                                      | 6,489                                      |
| Other FRC                                                   | 1,983                                    | 6,646                                    | 5,839                                      | 7,365                                      |
| Other                                                       | 2,157                                    | 3,906                                    | 3,793                                      | 5,122                                      |
| Total                                                       | <u>\$ 17,289</u>                         | <u>\$ 23,675</u>                         | <u>\$ 46,382</u>                           | <u>\$ 30,902</u>                           |
| <b>Preopening costs:</b>                                    |                                          |                                          |                                            |                                            |
| The Cheesecake Factory restaurants                          | \$ 1,372                                 | \$ 584                                   | \$ 2,406                                   | \$ 2,648                                   |
| North Italia                                                | 1,004                                    | 1,061                                    | 1,414                                      | 2,279                                      |
| Other FRC                                                   | 284                                      | 637                                      | 273                                        | 1,099                                      |
| Other                                                       | 287                                      | 497                                      | 618                                        | 609                                        |
| Total                                                       | <u>\$ 2,947</u>                          | <u>\$ 2,779</u>                          | <u>\$ 4,711</u>                            | <u>\$ 6,635</u>                            |
| <b>Total assets:</b>                                        |                                          |                                          |                                            |                                            |
|                                                             |                                          | June 28, 2022                            | December 28, 2021                          |                                            |
| The Cheesecake Factory restaurants                          | \$                                       | 1,601,058                                | \$                                         | 1,653,161                                  |
| North Italia                                                |                                          | 290,125                                  |                                            | 270,029                                    |
| Other FRC                                                   |                                          | 283,041                                  |                                            | 276,369                                    |
| Other                                                       |                                          | 598,209                                  |                                            | 598,566                                    |
| Total                                                       | <u>\$</u>                                | <u>2,772,433</u>                         | <u>\$</u>                                  | <u>2,798,125</u>                           |

### **13. Subsequent Events**

On July 21, 2022, our Board declared a quarterly cash dividend of \$0.27 per share to be paid on August 23, 2022 to the stockholders of record of each share of our common stock at the close of business on August 10, 2022.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Forward-Looking Statements**

Certain information included in this Form 10-Q and other materials filed or to be filed by us with the Securities and Exchange Commission ("SEC"), as well as information included in oral or written statements made by us or on our behalf, may contain forward-looking statements about our current and presently expected performance trends, growth plans, business goals and other matters.

These statements may be contained in our filings with the SEC, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (together with the Securities Act, the "Acts"). This includes, without limitation, statements regarding corporate social responsibility ("CSR") and in our CSR report, the effects of the COVID-19 pandemic on our financial condition and our results of operations, accelerated and diversified revenue growth as a result of the acquisition of North Italia and Fox Restaurant Concepts LLC ("FRC"), financial guidance and projections as well as expectations of our future financial condition, returning to pre-pandemic margins, results of operations, sales, target growth rates, cash flows, quarterly dividends, corporate strategy, plans, targets, goals, objectives, performance, growth potential, competitive position and business, and statements regarding our ability to: leverage our competitive strengths, including investing in or acquiring new restaurant concepts and expanding The Cheesecake Factory® brand to other retail opportunities; maintain our aggregate sales volumes; deliver comparable sales growth; provide a differentiated experience to customers; leverage sales increases and manage flow through; manage cost pressures, including wage rates, commodities cost, insurance costs and legal expenses, and stabilize margins; grow earnings; remain relevant to consumers; attract and retain qualified management and other staff; manage risks associated with the magnitude and complexity of regulations in the jurisdictions where our restaurants are located; increase shareholder value; find suitable sites and manage increasing construction costs; profitably expand our concepts domestically and in Canada, and work with our licensees to expand our concept internationally; support the growth of North Italia and other FRC restaurants; operate Social Monk Asian Kitchen and other concepts; and utilize our capital effectively and continue to issue cash dividends and repurchase our shares. These forward-looking statements may be affected by various factors including: the rapidly evolving nature of the COVID-19 pandemic and related containment measures, including the potential for a complete shutdown of our restaurants, international licensee restaurants and our bakery operations; supply chain disruptions and inflation; the geopolitical environment, demonstrations, political unrest, potential damage to or closure of our restaurants and potential reputational damage to us or any of our brands; economic, public health and political conditions that impact consumer confidence and spending, including the impact of the COVID-19 pandemic and other health epidemics or pandemics on the global economy; acceptance and success of The Cheesecake Factory in international markets; acceptance and success of North Italia and the FRC concepts, Social Monk Asian Kitchen and other concepts; the risks of doing business abroad through Company-owned restaurants and/or licensees; foreign exchange rates, tariffs and cross border taxation; changes in unemployment rates; changes in laws impacting our business, including laws and regulations related to COVID-19 impacting restaurant operations and customer access to off- and on-premises dining; increases in minimum wages and benefit costs; the economic health of our landlords and other tenants in retail centers in which our restaurants are located, and our ability to successfully manage our lease arrangements with landlords; unanticipated costs that may arise in connection with a return to normal course of business; the economic health of suppliers, licensees, vendors and other third parties providing goods or services to us; the timing of our new unit development; compliance with debt covenants; strategic capital allocation decisions including any share repurchases or dividends; the ability to achieve projected financial results; the resolution of uncertain tax positions with the Internal Revenue Service and the impact of tax reform legislation; adverse weather conditions in regions in which our restaurants are located; factors that are under the control of government agencies, landlords and other third parties; the risks, costs and uncertainties associated with opening new restaurants; and other risks and uncertainties detailed from time to time in our filings with the SEC. Such forward-looking statements include all other statements that are not historical facts, as well as statements that are preceded by, followed by or that include words or phrases such as "believe," "plan," "will likely result," "expect," "intend," "will continue," "is anticipated," "estimate," "project," "may," "could," "would," "should" and similar expressions. These statements are based on our current expectations and involve risks and uncertainties which may cause results to differ materially from those set forth in such statements.

In connection with the "safe harbor" provisions of the Acts, we have identified and are disclosing important factors, risks and uncertainties that could cause our actual results to differ materially from those projected in forward-looking statements made by us, or on our behalf. (See Part II, Item 1A of this report, "Risk Factors," and Part I, Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2021.) These cautionary statements are to be used as a reference in connection

with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC. Because of these factors, risks and uncertainties, we caution against placing undue reliance on forward-looking statements. Although we believe that the assumptions underlying forward-looking statements are currently reasonable, any of the assumptions could be incorrect or incomplete, and there can be no assurance that forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to publicly update or revise any forward-looking statements or to make any other forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by law.

The below discussion and analysis, which contains forward-looking statements, should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes in Part I, Item 1 of this report and with the following items included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2021: the audited consolidated financial statements and related notes in Part IV, Item 15; the “Risk Factors” included in Part I, Item 1A; the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7; and the cautionary statements included throughout this Form 10-Q. The inclusion of supplementary analytical and related information herein may require us to make estimates and assumptions to enable us to fairly present, in all material respects, our analysis of trends and expectations with respect to our results of operations and financial position.

### **COVID-19 Pandemic**

Beginning in March 2020, COVID-19 and measures to prevent its spread led to temporary closures, shifts to an off-premise only operating model or reduced dining room capacity across our portfolio. While restrictions on the type of permitted operating model and occupancy capacity may continue to change, currently all of our restaurants are operating with no capacity restrictions. The ongoing effects of COVID-19 and its variants, including, but not limited to, consumer behavior, capacity restrictions, mask and vaccination mandates, wage inflation, our ability to continue to staff our restaurants and disruptions in the supply chain, will determine the impact to our operating results and financial position. The impact to our operations has been most notable during the periods of greatest accelerating COVID-19 case counts, including the recent summer virus resurgence. We have incurred and will continue to incur additional costs to address government regulations and the safety of our staff members and customers. If, in the future, we experience significant disruptions related to COVID-19, we may again implement mitigation actions such as raising additional financing, not declaring future dividends, suspending share repurchases, suspending capital spending, implementing furloughs or modifying our operating strategies. Some of these measures may have an adverse impact on our business.

### **General**

The Cheesecake Factory Incorporated is a leader in experiential dining. We are culinary forward and relentlessly focused on hospitality. We currently own and operate 309 restaurants throughout the United States and Canada under brands including 208 The Cheesecake Factory®, 30 North Italia® restaurants and a collection within our FRC business. Internationally, 29 The Cheesecake Factory® restaurants operate under licensing agreements. Our bakery division operates two facilities that produce quality cheesecakes and other baked products for our restaurants, international licensees and third-party bakery customers.

### **Overview**

Our strategy is driven by our commitment to customer satisfaction and is focused primarily on menu innovation, service and operational execution to continue to differentiate ourselves from other restaurant concepts, as well as to drive competitively strong performance that is sustainable. Financially, we are focused on prudently managing expenses at our restaurants, bakery facilities and corporate support center, and leveraging our size to make the best use of our purchasing power.

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Investing in new Company-owned restaurant development is our top long-term capital deployment priority, with a focus on opening our concepts in premier locations within both new and existing markets. We expect our acquisition of North Italia and FRC to further accelerate and diversify our growth opportunities. For The Cheesecake Factory concept, we target an average cash-on-cash return on investment of approximately 20% to 25% at the unit level. We target an average cash-on-cash return on investment of approximately 35% for the North Italia concept and 25% to 30% for the FRC concepts. Returns are affected by the cost to build restaurants, the level of revenues that each restaurant can deliver and our ability to maximize the profitability of restaurants. Investing in new restaurant development that meets our return on investment criteria is expected to support achieving mid-teens Company-level return on invested capital.

Our overall revenue growth is primarily driven by revenues from new restaurant openings and increases in comparable restaurant sales. Changes in comparable restaurant sales come from variations in customer traffic as well as in average check.

For The Cheesecake Factory concept, our strategy is to increase comparable restaurant sales by growing average check and maintaining customer traffic through (1) continuing to offer innovative, high quality menu items that offer customers a wide range of options in terms of flavor, price and value, (2) focusing on service and hospitality with the goal of delivering an exceptional customer experience and (3) continuing to provide our customers with convenient options for off-premise dining, as we believe there is opportunity for a longer-term elevation of our off-premise mix compared to pre-COVID-19 pandemic levels. We are continuing our efforts on a number of initiatives, including menu innovation, a greater focus on increasing customer throughput in our restaurants, leveraging our gift card program, working with a third party to provide delivery services for our restaurants, increasing customer awareness of our online ordering capabilities, augmenting our marketing programs, enhancing our training programs and leveraging our customer satisfaction measurement platform.

Average check is driven by menu price increases and/or changes in menu mix. We generally update The Cheesecake Factory menus twice each year, and our philosophy is to use price increases to help offset key operating cost increases in a manner that balances supporting both our margin objectives and customer traffic levels. We have historically targeted menu price increases of approximately 2% to 3% annually, utilizing a market-based strategy to help mitigate cost pressure in higher-wage geographies. Due to the cost pressures we are currently experiencing, particularly in commodities, in the first quarter of fiscal 2022 we implemented menu price increases above our historical levels to support our longer-term restaurant-level margin objectives and are in the process of implementing further such increases in the third quarter of fiscal 2022. Future near-term pricing actions may also be at levels above historical norms. In addition, on a regular basis, we carefully consider opportunities to adjust our menu offerings or ingredients to help manage product availability and cost.

Margins are subject to fluctuations in commodity costs, labor, restaurant-level occupancy expenses, general and administrative (“G&A”) expenses and preopening expenses. Our objective is to recapture our pre-COVID-19 pandemic margins and longer-term to drive margin expansion, by leveraging incremental sales to increase restaurant-level margins at The Cheesecake Factory concept, leveraging our bakery operations, international and consumer packaged goods royalty revenue streams and G&A expense over time, and optimizing our restaurant portfolio.

We plan to employ a balanced capital allocation strategy, comprised of: investing in new restaurants that are expected to meet our targeted returns, repaying borrowings under our Revolving Facility and returning capital to shareholders through our dividend and share repurchase programs, the latter of which offsets dilution from our equity compensation program and supports our earnings per share growth. Future decisions to pay or to increase or decrease dividends or to repurchase shares are at the discretion of the Board and will be dependent on a number of factors, including limitations pursuant to the terms and conditions of the Amended Credit Agreement and applicable law.

Longer-term, we believe our domestic revenue growth (comprised of our targeted annual unit growth of 7%, in aggregate across concepts, and comparable sales growth), combined with margin expansion, planned debt repayments and an anticipated capital return program will support our long-term financial objective of 13% to 14% total return to shareholders, on average. We define our total return as earnings per share growth plus our dividend yield.

## Results of Operations

The following table presents, for the periods indicated, information from our condensed consolidated statements of income expressed as percentages of revenues. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any other interim period or for the full fiscal year.

|                                                                                      | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|--------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Revenues                                                                             | 100.0 %                                  | 100.0 %                                  | 100.0 %                                    | 100.0 %                                    |
| Costs and expenses:                                                                  |                                          |                                          |                                            |                                            |
| Cost of sales                                                                        | 24.5                                     | 22.0                                     | 24.1                                       | 21.8                                       |
| Labor expenses                                                                       | 36.6                                     | 35.7                                     | 36.9                                       | 36.1                                       |
| Other operating costs and expenses                                                   | 26.3                                     | 25.9                                     | 26.3                                       | 27.3                                       |
| General and administrative expenses                                                  | 6.0                                      | 6.3                                      | 6.1                                        | 6.6                                        |
| Depreciation and amortization expenses                                               | 2.7                                      | 2.9                                      | 2.7                                        | 3.2                                        |
| Impairment of assets and lease termination expenses                                  | —                                        | —                                        | 0.0                                        | 0.0                                        |
| Acquisition-related contingent consideration, compensation and amortization expenses | 0.1                                      | 1.5                                      | 0.1                                        | 0.9                                        |
| Preopening costs                                                                     | 0.4                                      | 0.4                                      | 0.3                                        | 0.5                                        |
| Total costs and expenses                                                             | 96.6                                     | 94.7                                     | 96.5                                       | 96.4                                       |
| Income from operations                                                               | 3.4                                      | 5.3                                      | 3.5                                        | 3.6                                        |
| Interest and other expense, net                                                      | (0.2)                                    | (0.6)                                    | (0.2)                                      | (0.5)                                      |
| Income before income taxes                                                           | 3.2                                      | 4.7                                      | 3.3                                        | 3.1                                        |
| Income tax provision                                                                 | 0.1                                      | 0.3                                      | 0.3                                        | 0.4                                        |
| Net income                                                                           | 3.1                                      | 4.4                                      | 3.0                                        | 2.7                                        |
| Dividends on Series A preferred stock                                                | —                                        | (1.8)                                    | —                                          | (1.4)                                      |
| Undistributed earnings allocated to Series A preferred stock                         | —                                        | (0.4)                                    | —                                          | (0.2)                                      |
| Net income available to common stockholders                                          | 3.1 %                                    | 2.2 %                                    | 3.0 %                                      | 1.1 %                                      |

### Thirteen Weeks Ended June 28, 2022 Compared to Thirteen Weeks Ended June 29, 2021

#### Revenues

Revenues increased 8.3% to \$832.6 million for the fiscal quarter ended June 28, 2022 compared to \$769.0 million for the comparable prior year period, primarily due to an increase in comparable restaurant sales, as well as additional revenue related to new restaurant openings.

The Cheesecake Factory comparable sales increased by 4.7%, or \$28.4 million, from the second quarter of fiscal 2021 and increased 13.1% from the second quarter of fiscal 2019. The increase from fiscal 2021 was primarily driven by increased customer traffic of 5.7%, partially offset by a decline in average check of 1.0% (based on a 5.7% negative change in mix, partially offset by an increase of 4.7% in menu pricing). Sales through the off-premise channel comprised approximately 25% of our restaurant sales during the second quarter of fiscal 2022 as compared to 31% in the second quarter of fiscal 2021 as more customers have returned to on-premise dining, whereas consumer behavior had shifted towards the off-premise channel during the prior year period due to the pandemic. However, off-premise sales mix remains elevated versus the pre-pandemic level of 16% during the second quarter of fiscal 2019. We account for each off-premise order as one customer for traffic measurement purposes. Therefore, average check is generally higher for off-premise orders as most are for more than one customer. In turn, the lower mix of sales in the off-premise channel during the second quarter of fiscal 2022 compared to the prior year second quarter was the primary driver of the negative change in mix and also contributed to the increase in traffic. We implemented effective menu price increases of approximately 3.3% and 1.5% in the first quarter of fiscal 2022 and third quarter of fiscal 2021, respectively. The Cheesecake Factory average sales per restaurant operating week increased 5.1% to \$237,004 in the second quarter of fiscal 2022 from \$225,452 in the second quarter of fiscal 2021. Total operating weeks at The Cheesecake Factory restaurants increased 0.5% to 2,704 in the second quarter of fiscal 2022 compared to 2,691 in the prior year.

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North Italia comparable sales increased approximately 12% from the second quarter of fiscal 2021 and increased 22% from the second quarter of fiscal 2019. The increase from fiscal 2021 was primarily driven by increased customer traffic of 8%, as well as an increase in average check of 4% (based on an increase of 5% in menu pricing, partially offset by a 1% negative change in mix). North Italia average sales per restaurant operating week increased 12.0% to \$148,778 in the second quarter of fiscal 2022 from \$132,824 in the second quarter of fiscal 2021. Total operating weeks at North Italia increased 15.2% to 378 in the second quarter of fiscal 2022 compared to 328 in the prior year.

Restaurants become eligible to enter the comparable sales base in their 19<sup>th</sup> month of operation. At June 28, 2022, there were two The Cheesecake Factory restaurants and seven North Italia restaurants not yet in the comparable sales base. International licensed locations and restaurants that are no longer in operation, including those which we have relocated, are excluded from comparable sales calculations.

### *Cost of Sales*

Cost of sales consists of food, beverage and bakery production supply costs incurred in conjunction with our restaurant and bakery revenues, and excludes depreciation, which is captured separately in depreciation and amortization expenses. As a percentage of revenues, cost of sales was 24.5% and 22.0% in the second quarters of fiscal 2022 and 2021, respectively, primarily due to inflation across most categories in excess of menu price increases (2.3%).

### *Labor Expenses*

As a percentage of revenues, labor expenses, which include restaurant-level labor costs and bakery direct production labor, including associated fringe benefits, were 36.6% and 35.7% in the second quarters of fiscal 2022 and 2021, respectively. This increase was primarily due to wage rate inflation in excess of menu price increases (1.2%), as well as increased staffing levels compared to the prior year (0.3%), partially offset by a decline in group medical insurance costs due to lower claim activity (0.5%) in the second quarter of fiscal 2022.

### *Other Operating Costs and Expenses*

Other operating costs and expenses consist of restaurant-level occupancy expenses (rent, common area expenses, insurance, licenses, taxes and utilities), marketing, including delivery commissions, other operating expenses (excluding food costs and labor expenses, which are reported separately) and bakery production overhead and distribution expenses. As a percentage of revenues, other operating costs and expenses were 26.3% and 25.9% in the second quarters of fiscal 2022 and 2021, respectively. This variance was primarily driven by utilities inflation in excess of menu price increases (0.2%) and higher workers compensation insurance costs due to lower claim activity in the prior year (0.2%).

### *G&A Expenses*

G&A expenses consist of the restaurant management recruiting and training program, restaurant field supervision, corporate support and bakery administrative organizations, as well as gift card commissions to third-party distributors. As a percentage of revenues, G&A expenses were 6.0% and 6.3% in the second quarters of fiscal 2022 and 2021, respectively. This variance was primarily driven by lower corporate incentive compensation expense (0.4%).

### *Depreciation and Amortization Expenses*

As a percentage of revenues, depreciation and amortization expenses decreased to 2.7% in the second quarter of fiscal 2022 from 2.9% in the comparable prior year period due primarily to sales leverage.

### *Impairment of Assets and Lease Terminations Expenses*

During the second quarter of fiscal 2022, we recorded impairment of assets and lease terminations expense of \$0.1 million compared with no impairment of assets and lease terminations expense during the second quarter of fiscal 2021.

*Acquisition-Related Contingent Consideration, Compensation and Amortization Expenses*

We recorded \$0.9 million and \$11.4 million during the second quarter of fiscal 2022 and 2021, respectively, of acquisition-related contingent consideration, compensation and amortization. This decrease is primarily related to the impact of an amendment to the FRC acquisition agreement in the second quarter of fiscal 2021 that, among other things, extended the measurement period through fiscal 2026.

*Preopening Costs*

Preopening costs were \$2.9 million and \$2.8 million in the second quarters of fiscal 2022 and 2021, respectively. We opened one North Italia restaurants and one Other location in the second quarter of fiscal 2022 compared to two North Italia and one Other location in the comparable prior year period. Preopening costs include all costs to relocate and compensate restaurant management staff members during the preopening period, costs to recruit and train hourly restaurant staff members, and wages, travel and lodging costs for our opening training team and other support staff members. Also included are expenses for maintaining a roster of trained managers for pending openings, the associated temporary housing and other costs necessary to relocate managers in alignment with future restaurant opening and operating needs, and corporate travel and support activities. Preopening costs can fluctuate significantly from period to period based on the number, mix and timing of restaurant openings and the specific preopening costs incurred for each restaurant.

*Interest and Other Expense, Net*

Interest and other expense, net was \$1.1 million and \$4.7 million for the second quarters of fiscal 2022 and 2021, respectively. This decrease was primarily due to interest in the prior year related to our interest rate swap, which was terminated in June 2021 (\$2.8 million), lower interest on our Revolving Credit Facility due to a repayment in June 2021 (\$0.4 million), as well as favorability across several other categories.

*Income Tax Provision*

Our effective income tax rate was 4.3% and 7.4% for the second quarters of fiscal 2022 and 2021, respectively. The decrease resulted primarily from a higher proportion of employment credits in relation to pre-tax income, partially offset by nondeductible losses in the second quarter of fiscal 2022 as compared to non-taxable gains in the comparable prior year period on our investments in variable life insurance contracts used to support our non-qualified deferred compensation plan ("ESP").

**Twenty-Six Weeks Ended June 28, 2022 Compared to Twenty-Six Weeks Ended June 29, 2021**

*Revenues*

Revenues increased 16.5% to \$1,626.4 million for the first half of 2022 compared to \$1,396.4 million for the comparable prior year period, primarily due to an increase in comparable restaurant sales, reflecting the impact of the COVID-19 pandemic in the first half of fiscal 2021, as well as additional revenue related to new restaurant openings.

The Cheesecake Factory comparable sales increased by 12.0%, or \$130.9 million, from the first half of fiscal 2021 and increased 10.6% from the first half of fiscal 2019. The increase from fiscal 2021 was primarily driven by increased customer traffic of 14.4% primarily due to the impact of the COVID-19 pandemic in the prior year, partially offset by a decline in average check of 2.4% (based on a 6.7% negative change in mix, partially offset by an increase of 4.3% in menu pricing). Sales through the off-premise channel comprised approximately 26% of our restaurant sales during the first half of fiscal 2022 as compared to 36% in the first half of fiscal 2021 as more customers have returned to on-premise dining, whereas consumer behavior had shifted towards the off-premise channel during the prior year period due to the pandemic. However, off-premise sales mix remains elevated versus the pre-pandemic level of 16% during the first half of fiscal 2019. The Cheesecake Factory average sales per restaurant operating week increased 12.3% to \$231,264 in the first half of fiscal 2022 from \$206,012 in the first half of fiscal 2021. Total operating weeks at The Cheesecake Factory restaurants increased 0.7% to 5,408 in the first half of fiscal 2022 compared to 5,369 in the prior year.

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North Italia comparable sales increased approximately 21% from the first half of fiscal 2021 and increased 22% from the first half of fiscal 2019. The increase from fiscal 2021 was primarily driven by increased customer traffic of 19%, as well as an increase in average check of 2% (based on an increase of 4% in menu pricing, partially off by a 2% negative change in mix). North Italia average sales per restaurant operating week increased 19.2% to \$144,365 in the first half of fiscal 2022 from \$121,061 in the first half of fiscal 2021. Total operating weeks at North Italia increased 19.7% to 755 in the first half of fiscal 2022 compared to 631 in the prior year.

### *Cost of Sales*

As a percentage of revenues, cost of sales was 24.1% and 21.8% in the first half of fiscal 2022 and 2021, respectively, primarily due to inflation across most categories in excess of menu price increases (1.9%).

### *Labor Expenses*

As a percentage of revenues, labor expenses were 36.9% and 36.1% in the first half of fiscal 2022 and 2021, respectively. This increase was primarily due to wage rate inflation in excess of menu price increases (1.4%), partially offset by a decrease in group medical insurance costs due to lower claim activity (0.5%) in the first half of fiscal 2022.

### *Other Operating Costs and Expenses*

As a percentage of revenues, other operating costs and expenses were 26.3% and 27.3% in the first half of fiscal 2022 and 2021, respectively. This variance was primarily driven by pricing leverage (0.5%), sales leverage within occupancy and building costs (0.3%) and lower restaurant-level incentive compensation expense (0.3%).

### *G&A Expenses*

As a percentage of revenues, G&A expenses were 6.1% and 6.6% in the first half of fiscal 2022 and 2021, respectively. This variance was primarily driven by lower corporate incentive compensation expense (0.3%), as well as sales leverage and expense management (0.3%).

### *Depreciation and Amortization Expenses*

As a percentage of revenues, depreciation and amortization expenses decreased to 2.7% in the first half of fiscal 2022 from 3.2% in the comparable prior year period due primarily to sales leverage.

### *Impairment of Assets and Lease Terminations Expenses*

During the first half of fiscal 2022, we recorded impairment of assets and lease terminations expense of \$0.3 million related to lease termination costs and accelerated depreciation for two Grand Lux Cafe locations that closed during the first quarter of fiscal 2022. During the first half of fiscal 2021, we recorded impairment of assets and lease terminations expense of \$0.6 million related to lease termination costs for two Other restaurants, one of which closed during the fourth quarter of fiscal 2020 and one that closed at the beginning of the first quarter of fiscal 2021.

### *Acquisition-Related Contingent Consideration, Compensation and Amortization Expenses*

We recorded \$1.8 million and \$11.9 million during the first half of fiscal 2022 and 2021, respectively, of acquisition-related contingent consideration, compensation and amortization. This decrease is primarily related to the impact of an amendment to the FRC acquisition agreement in the second quarter of fiscal 2021 that, among other things, extended the measurement period through fiscal 2026.

*Preopening Costs*

Preopening costs were \$4.7 million and \$6.6 million in the first half of fiscal 2022 and 2021, respectively. We opened one North Italia and one Other location in the first half of fiscal 2022 compared to one The Cheesecake Factory, three North Italia restaurants, one Other FRC and one Other location in the comparable prior year period.

*Interest and Other Expense, Net*

Interest and other expense, net was \$2.6 million and \$7.4 million for the first half of fiscal 2022 and 2021, respectively. This decrease was primarily due to interest in the prior year related to our interest rate swap, which was terminated in June 2021 (\$3.3 million), lower interest on our Revolving Credit Facility due to a repayment in June 2021 (\$0.5), as well as favorability across several other categories.

*Income Tax Provision*

Our effective income tax rate was 9.0% and 11.7% for the first half of fiscal 2022 and 2021, respectively. The decrease resulted primarily from a higher proportion of employment credits in relation to pre-tax income in the first half of fiscal 2022 and our reserve for an uncertain tax position recorded in the comparable prior year period, partially offset by nondeductible losses in the first half of fiscal 2022 as compared to non-taxable gains in the comparable prior year period on our investments in variable life insurance contracts used to support our ESP.

**Non-GAAP Measures**

Adjusted net income and adjusted if- converted net income per share are supplemental measures of our performance that are not required by or presented in accordance with GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. We calculate these non-GAAP measures by eliminating from net income available to common stockholders and diluted net income per common share the impact of items we do not consider indicative of our ongoing operations. To reflect the potential impact of the conversion of our Series A preferred stock into common stock for the period that it was outstanding prior to the conversion on June 15, 2021, we excluded the preferred dividend and assumed all convertible preferred shares had been converted into common stock. (See Note 9 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our preferred stock.) We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items. In the future, we may incur expenses or generate income similar to the adjusted items.

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Following is a reconciliation from net income available to common stockholders and diluted net income per common share to the corresponding adjusted measures (in thousands, except per share data):

|                                                                                                     | Thirteen<br>Weeks Ended<br>June 28, 2022 | Thirteen<br>Weeks Ended<br>June 29, 2021 | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|-----------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------------|
| Net income available to common stockholders                                                         | \$ 25,656                                | \$ 17,073                                | \$ 48,819                                  | \$ 15,799                                  |
| Dividends on Series A preferred stock                                                               | —                                        | 13,591                                   | —                                          | 18,661                                     |
| Net income attributable to Series A preferred stock                                                 | —                                        | 3,051                                    | —                                          | 3,123                                      |
| COVID-19 related costs <sup>(1)</sup>                                                               | —                                        | —                                        | —                                          | 4,917                                      |
| Impairment of assets and lease termination expenses                                                 | 106                                      | —                                        | 313                                        | 594                                        |
| Acquisition-related contingent consideration, compensation and amortization expenses                | 948                                      | 11,357                                   | 1,839                                      | 11,907                                     |
| Termination of interest rate swap                                                                   | —                                        | 2,354                                    | —                                          | 2,354                                      |
| Uncertain tax position                                                                              | —                                        | —                                        | —                                          | 2,471                                      |
| Tax effect of adjustments <sup>(2)</sup>                                                            | (275)                                    | (3,565)                                  | (559)                                      | (5,140)                                    |
| Adjusted net income                                                                                 | \$ 26,435                                | \$ 43,861                                | \$ 50,412                                  | \$ 54,686                                  |
| Diluted net income per common share                                                                 | \$ 0.50                                  | \$ 0.37                                  | \$ 0.96                                    | \$ 0.35                                    |
| Dividends on Series A preferred stock                                                               | —                                        | 0.25                                     | —                                          | 0.34                                       |
| Net income attributable to Series A preferred stock                                                 | —                                        | 0.06                                     | —                                          | 0.06                                       |
| Assumed impact of potential conversion of Series A preferred stock into common stock <sup>(3)</sup> | —                                        | (0.06)                                   | —                                          | (0.06)                                     |
| COVID-19 related costs <sup>(1)</sup>                                                               | —                                        | —                                        | —                                          | 0.09                                       |
| Impairment of assets and lease termination expenses                                                 | 0.00                                     | —                                        | 0.01                                       | 0.01                                       |
| Acquisition-related contingent consideration, compensation and amortization expenses                | 0.02                                     | 0.21                                     | 0.04                                       | 0.22                                       |
| Termination of interest rate swap                                                                   | —                                        | 0.04                                     | —                                          | 0.04                                       |
| Uncertain tax positions                                                                             | —                                        | —                                        | —                                          | 0.05                                       |
| Tax effect of adjustments <sup>(2)</sup>                                                            | (0.01)                                   | (0.07)                                   | (0.01)                                     | (0.09)                                     |
| Adjusted if-converted net income per share <sup>(4)</sup>                                           | \$ 0.52                                  | \$ 0.80                                  | \$ 0.99                                    | \$ 1.00                                    |

(1) Represents incremental costs associated with the COVID-19 pandemic such as additional sanitation, personal protective equipment, sick and vaccination pay, and healthcare benefits associated with furloughed staff members.

(2) Based on the federal statutory rate and an estimated blended state tax rate, the tax effect on all adjustments assumes a 26% tax rate.

(3) Represents the impact of assuming the conversion of preferred stock into common stock (8,126,001 and 8,862,280 shares for the thirteen and twenty-six weeks ended June 29, 2021, respectively), resulting in an assumption of 54,902,770 and 54,837,353 weighted-average common shares outstanding for the thirteen and twenty-six weeks ended June 29, 2021.

(4) Adjusted net income per share may not add due to rounding.

## Fiscal 2022 Outlook

Based on our second quarter performance, recent trends and including the impact of the latest virus resurgence, we anticipate total revenue for the third quarter of fiscal 2022 to be approximately \$785 million to \$805 million and for the full fiscal year to be approximately \$3.32 billion to \$3.37 billion, with The Cheesecake Factory fiscal year 2022 average sales per location reaching \$12 million, including the impact of the 53rd operating week. We remain committed to supporting our longer-term restaurant-level margin objectives and will take appropriate actions, including additional menu pricing to help offset structural and permanent costs. However, there remains measurable risk associated with cost fluctuations driven by the current environment. We currently have 4.75% pricing in The Cheesecake Factory menu and are in the process of implementing a 4.25% menu price increase in the third quarter of fiscal 2022.

For fiscal year 2022, we expect commodity inflation of approximately 14% to 15% inclusive of the recent geopolitical environment, with 15% to 16% inflation in the third quarter of fiscal 2022 and moderating to 13% to 14% inflation in the fourth

quarter of fiscal 2022. We expect fiscal year 2022 net labor inflation of approximately 5% when factoring in wage rates and channel mix, among other components such as payroll taxes and benefits. We also anticipate other operating costs and expenses as a percentage of revenues to be slightly above 26% in the third quarter of fiscal 2022 and, with the full benefit of the third quarter menu price increase, to be approximately 25% for the fourth quarter of fiscal year 2022. In addition, we expect fiscal 2022 G&A expenses of approximately \$207 million, with approximately \$52 million and \$55 million to \$56 million in the third and fourth quarter of fiscal 2022, respectively. The increase in G&A expenses from the third to the fourth quarter of fiscal 2022 primarily relates to the 53rd operating week. We also anticipate fiscal 2022 preopening costs of approximately \$18 million, depreciation and amortization expenses of approximately \$91 million and are utilizing a tax rate of approximately 9% to 10% for modeling purposes.

We plan to open as many as 15 new restaurants in fiscal 2022, including four The Cheesecake Factory restaurants, four North Italia restaurants and as many as seven restaurants within our FRC business, which includes three Flower Child locations. We anticipate approximately \$140 million in cash capital expenditures to support this level of unit development, as well as required maintenance on our restaurants.

### Liquidity and Capital Resources

Our corporate financial objectives are to maintain a sufficiently strong and conservative balance sheet to support our operating initiatives and unit growth while maintaining financial flexibility to provide the financial resources necessary to protect and enhance the competitiveness of our restaurant and bakery brands and to provide a prudent level of financial capacity to manage the risks and uncertainties of conducting our business operations under various economic and industry cycles. Typically, cash flows generated from operating activities are our principal source of liquidity, which we use to finance our restaurant expansion plans, ongoing maintenance of our restaurants and bakery facilities and investment in our corporate and information technology infrastructures. However, given the impact of the COVID-19 pandemic on our operations, during fiscal 2020 we increased borrowings under our credit facility and issued convertible preferred stock to increase our liquidity. During fiscal 2021, we used net proceeds from issuing convertible senior notes and additional common stock to fund the repurchase of the majority of our Series A preferred stock and the conversion of the remaining Series A preferred stock into common stock, simplifying our capital structure and eliminating future convertible preferred stock dividends. We also utilized a portion of the net proceeds to reduce borrowings under our credit facility.

Similar to many restaurant and retail chain store operations, we utilize operating lease arrangements for all of our restaurant locations. Accordingly, our lease arrangements reduce, to some extent, our capacity to utilize funded indebtedness in our capital structure. We are not limited to the use of lease arrangements as our only method of opening new restaurants. However, we believe our operating lease arrangements continue to provide appropriate leverage for our capital structure in a financially efficient manner.

During the first half of fiscal 2022, our cash and cash equivalents increased by \$5.3 million to \$194.9 million. The following table presents, for the periods indicated, a summary of our key cash flows from operating, investing and financing activities (in millions):

|                                                             | Twenty-Six<br>Weeks Ended<br>June 28, 2022 | Twenty-Six<br>Weeks Ended<br>June 29, 2021 |
|-------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Cash provided by operating activities                       | \$ 87.5                                    | \$ 130.4                                   |
| Additions to property and equipment                         | (46.4)                                     | (30.9)                                     |
| Acquisition-related deferred consideration and compensation | (7.2)                                      | —                                          |
| Convertible debt issuance, net of issuance cost             | —                                          | 334.9                                      |
| Common stock issuance, net of issuance cost                 | —                                          | 167.1                                      |
| Repayments on credit facility                               | —                                          | (150.0)                                    |
| Series A preferred stock cash-settled conversion            | —                                          | (443.8)                                    |
| Series A preferred stock dividends paid                     | —                                          | (18.7)                                     |
| Proceeds from exercise of stock options                     | 0.1                                        | 24.8                                       |
| Common stock dividends paid                                 | (14.3)                                     | (0.3)                                      |
| Treasury stock purchases                                    | (14.8)                                     | (4.6)                                      |

### *Cash Provided by Operating Activities*

Cash flows from operations decreased by \$42.9 million from the first half of fiscal 2021 primarily due to higher fiscal year-end 2021 liabilities related to increased sales and staffing levels that were paid in the first half of fiscal 2022, compared to those accrued at fiscal year-end 2020 and paid in the first half of fiscal 2021.

### *Property and Equipment*

Capital expenditures for new restaurants, including locations under development, were \$21.7 million and \$14.0 million for the first half of fiscal 2022 and 2021, respectively. Capital expenditures also included \$22.4 million and \$14.4 million for our existing restaurants and \$2.3 million and \$2.5 million for bakery and corporate capacity and infrastructure investments in the first half of fiscal 2022 and 2021, respectively. We currently anticipate fiscal 2022 capital expenditures to be approximately \$140 million.

### *Acquisition-Related Deferred Consideration and Compensation*

During the first half of fiscal 2022, we made a payment of \$7.2 million for contingent consideration and compensation related to the FRC acquisition.

### *Convertible Senior Notes*

On June 15, 2021, we issued \$345.0 million in aggregate principal amount of convertible senior notes (“Notes”), which will mature on June 15, 2026, unless earlier repurchased, redeemed or converted. The net proceeds from the sale of the Notes were approximately \$334.9 million after deducting issuance costs related to the Notes. At June 28, 2022, the conversion rate for the Notes was 12.8586 shares of common stock per \$1,000 principal amount of the Notes, which represents a conversion price of approximately \$77.77 per share of common stock. In connection with the cash dividend that was declared by our Board on July 21, 2022, on August 11, 2022 we will adjust the conversion rate (which is expected to increase) and the conversion price (which is expected to decrease) of the Notes in accordance with the terms. (See Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of the Notes.)

### *Common Stock Issuance*

On June 15, 2021, we issued 3.125 million shares of our common stock for \$175.0 million. In connection with the issuance, we incurred direct and incremental costs of \$8.0 million.

### *Revolving Credit Facility*

On March 30, 2021, we entered into an Amended Credit Agreement, which terminates on July 30, 2024, and consists of a \$400 million revolving loan facility (the “Revolving Facility”), including a \$40 million sublimit for letters of credit. The Amended Credit Agreement also provides the ability to increase the Revolving Facility in an amount not to exceed \$200 million. The funding of any such increases are subject to receipt of lender commitments and satisfaction of customary conditions precedent. Certain of our material subsidiaries have guaranteed our obligations under the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative and negative covenants, including limits on cash dividends and share repurchases with respect to our equity interests, and restrictions on indebtedness, liens, investments, sales of assets, fundamental changes and other matters. The Amended Credit Agreement also contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgements, cross defaults to material indebtedness and events constituting a change of control. The occurrence of an event of default could result in the termination of commitments under the Revolving Facility, the declaration that all outstanding loans are immediately due and payable in whole or in part and the requirement of cash collateral deposits in respect of outstanding letters of credit. As of June 28, 2022, we were in compliance with the covenants set forth in the Revolving Facility.

In the second quarter of fiscal 2021, we utilized a portion of the net proceeds from our Notes and common share offerings to reduce the balance on our Revolving Facility by \$150.0 million. At June 28, 2022, we had net availability for borrowings of \$237.7

million, based on a \$130.0 million outstanding debt balance and \$32.3 million in standby letters of credit. (See Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our long-term debt.)

#### *Series A Preferred Stock*

During the second quarter of fiscal 2021, we paid a cash dividend on our Series A preferred stock of \$5.1 million. During the second quarter of fiscal 2021, we paid \$457.3 million in connection with the cash-settled conversion of 150,000 shares of our outstanding Series A preferred stock (effected through a repurchase agreement), and the share-settled conversion of the remaining 50,000 shares of our outstanding Series A preferred stock into 2,400,864 shares of our common stock, of which \$13.6 million was deemed to be a dividend. (See Note 9 of Notes to Consolidated Financial Statements in Part IV, Item 15 of this report for further discussion of our preferred stock.)

#### *Common Stock Dividends*

Common stock dividends of \$14.3 million and \$0.3 million were paid in the first half of fiscal 2022 and 2021, respectively. The increase is primarily due to the resumption of our quarterly dividend in the second quarter of fiscal 2022 after the suspension that began in fiscal 2020 due to the impact of COVID-19 on our business and in conjunction with the terms of our Amended Credit Agreement. As further discussed in Note 13 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report, in July 2022, our Board declared a quarterly dividend to be paid in the third quarter of fiscal 2022. Future decisions to pay or to increase or decrease dividends are at the discretion of the Board and will be dependent on our operating performance, financial condition, capital expenditure requirements, limitations on cash distributions pursuant to the terms and conditions of the Amended Credit Agreement and applicable law, and other such factors that the Board considers relevant.

#### *Share Repurchases*

Under authorization by our Board to repurchase up to 56.0 million shares of our common stock, we have cumulatively repurchased 53.6 million shares at a total cost of \$1,717.3 million through June 28, 2022. We repurchased 0.5 million shares at a cost of \$14.8 million during the first half of fiscal 2022 compared to 0.1 million shares at a cost of \$4.6 million during the comparable fiscal 2021 period. \$10.4 million of the increase is due to the resumption of our share repurchase program in the second quarter of fiscal 2022 after the suspension that began in fiscal 2020 due to the impact of COVID-19 on our business and in conjunction with the terms of our Amended Credit Agreement. The remaining variance represents the change in repurchases made to satisfy tax withholding obligations on vested restricted share awards.

Our objectives with regard to share repurchases have been to offset the dilution to our shares outstanding that results from equity compensation grants and to supplement our earnings per share growth. Our share repurchase program does not have an expiration date, does not require us to purchase a specific number of shares and may be modified, suspended or terminated at any time. Future decisions to repurchase shares are at the discretion of the Board and are based on several factors, including current and forecasted operating cash flows, capital needs associated with new restaurant development and maintenance of existing locations, dividend payments, debt levels and cost of borrowing, obligations associated with the FRC acquisition, our share price and current market conditions. The timing and number of shares repurchased are also subject to legal constraints and covenants under the Amended Credit Agreement that limit share repurchases based on a defined ratio. (See Note 9 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our repurchase authorization and methods.)

#### *Cash Flow Outlook*

We believe that our cash and cash equivalents, combined with expected cash flows provided by operations and available borrowings under the Revolving Facility, will provide us with adequate liquidity for the next 12 months and the foreseeable future.

As of June 28, 2022, we had no financing transactions, arrangements or other relationships with any unconsolidated entities or related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ from these estimates. Our critical accounting estimates have not changed materially from those previously reported in our Annual Report on Form 10-K for the fiscal year ended December 28, 2021.

## **Recent Accounting Pronouncements**

See Note 1 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for a summary of new accounting standards.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The following discussion of market risks contains forward-looking statements and should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes in Part I, Item 1 of this report and with the following items in our Annual Report on Form 10-K for the fiscal year ended December 28, 2021: the audited consolidated financial statements and related notes in Part IV, Item 15; the “Risk Factors” in Part I, Item 1A; the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7; and the cautionary statements included throughout the report. Actual results may differ materially from the following discussion based on general conditions in the commodity and financial markets.

We purchase food and other commodities for use in our operations based on market prices established with our suppliers. Many of these commodities can be subject to market volatility driven by supply and demand factors outside of our control, including the relative availability of labor and distribution, weather, natural disasters, inventory levels, and political and economic conditions. Climate change may further exacerbate a number of these factors. During fiscal 2021, we began to experience certain supply shortages and transportation delays largely attributable to impacts of the COVID-19 pandemic. These shortages have continued and have been exacerbated by the geo-political unrest in fiscal 2022. The aggregate impact of these and other factors have contributed to significant cost inflation.

We negotiate short-term and long-term agreements for some of our principal commodity, supply and equipment requirements, such as certain dairy products and poultry, depending on market conditions and expected demand. We continue to evaluate the possibility of entering into similar arrangements for other commodities and periodically evaluate hedging vehicles, such as direct financial instruments, to assist us in managing risk and variability associated with such commodities. As of June 28, 2022, we had no hedging contracts in place. Commodities not subject to fixed price and volume agreements can be subject to unforeseen supply and cost fluctuations, which at times may be significant. Additionally, the cost of commodities subject to governmental regulation, such as dairy and corn, can be especially susceptible to price fluctuation. Commodities we purchase on the international market may be subject to even greater fluctuations in cost and availability, which could result from a variety of factors, including the value of the U.S. dollar relative to other currencies, international trade disputes, tariffs, varying global demand and the geopolitical environment. We may or may not have the ability to increase menu prices or vary menu items in response to food commodity price increases. For the second quarters of fiscal 2022 and 2021, a hypothetical increase of 1% in food costs would have negatively impacted cost of sales by \$2.0 million and \$1.7 million, respectively.

We are exposed to market risk from interest rate changes on our funded debt. This exposure relates to the component of the interest rate on the Amended Facility that is indexed to market rates. Based on outstanding borrowings at both June 28, 2022 and December 28, 2021, a hypothetical 1% rise in interest rates would have increased interest expense by \$1.3 million, on an annual basis. (See Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our long-term debt.)

We are also subject to market risk related to our investments in variable life insurance contracts used to support our non-qualified executive deferred compensation plan to the extent these investments are not equivalent to the related liability. In addition, because changes in these investments are not taxable, gains and losses result in tax benefit and tax expense, respectively, and directly affect net income through the income tax provision. Based on balances at June 28, 2022 and December 28, 2021, a hypothetical 10% decline in the market value of our deferred compensation asset and related liability would not have impacted income before income taxes. However, under such a scenario, net income would have declined by \$2.0 million and \$2.3 million at June 28, 2022 and December 28, 2021, respectively.

#### **Item 4. Controls and Procedures.**

##### *Evaluation of Disclosure Controls and Procedures*

We have established and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 28, 2022.

##### *Changes in Internal Control over Financial Reporting*

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter ended June 28, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

See Note 8 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

#### **Item 1A. Risk Factors.**

A description of the risk factors associated with our business is contained in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 28, 2021 ("Annual Report"). These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

The following table presents our purchases of our common stock during the fiscal quarter ended June 28, 2022 (in thousands, except per share data):

| <b>Period</b>          | <b>Total Number of Shares Purchased <sup>(1)</sup></b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs</b> |
|------------------------|--------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| March 30 — May 3, 2022 | 2                                                      | \$ 38.55                            | —                                                                                       | 2,758                                                                                 |
| May 4 — May 31, 2022   | 11                                                     | 34.50                               | —                                                                                       | 2,747                                                                                 |
| June 1 — June 28, 2022 | 347                                                    | 30.07                               | 347                                                                                     | 2,400                                                                                 |
| Total                  | 360                                                    |                                     | 347                                                                                     |                                                                                       |

(1) The total number of shares purchased includes 12,668 shares withheld upon vesting of restricted share awards to satisfy tax withholding obligations.

Under authorization by our Board to repurchase up to 56.0 million shares of our common stock, we have cumulatively repurchased 53.6 million shares at a total cost of \$1,717.3 million through June 28, 2022 with 359,705 shares repurchased at a cost of \$10.9 million during the second quarter of fiscal 2022. Our share repurchase program does not have an expiration date, does not require us to purchase a specific number of shares and may be modified, suspended or terminated at any time. The timing and number of shares repurchased are subject to legal constraints and covenants under our credit facility that limit share repurchases based on a defined ratio.

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**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Item</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>Form</b> | <b>File Number</b> | <b>Incorporated by Reference from Exhibit Number</b> | <b>Filed with SEC</b> |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------|------------------------------------------------------|-----------------------|
| 3.1                | <a href="#">Restated Certificate of Incorporation of The Cheesecake Factory Incorporated</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 10-Q        | 000-20574          | 3.2                                                  | 8/6/18                |
| 3.2                | <a href="#">Certificate of Designations of The Cheesecake Factory Incorporated, dated April 20, 2020</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 8-K         | 000-20574          | 3.1                                                  | 4/20/20               |
| 3.3                | <a href="#">Bylaws of The Cheesecake Factory Incorporated (Amended and Restated on May 20, 2009)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 8-K         | 000-20574          | 3.8                                                  | 5/27/09               |
| 4.1                | <a href="#">Indenture, dated as of June 15, 2021, between The Cheesecake Factory Incorporated and U.S. Bank National Association, as trustee</a>                                                                                                                                                                                                                                                                                                                                                                                                                  | 8-K         | 000-20574          | 4.1                                                  | 6/15/21               |
| 4.2                | <a href="#">First Supplemental Indenture, dated as of June 15, 2021, between The Cheesecake Factory Incorporated and U.S. Bank National Association, as trustee</a>                                                                                                                                                                                                                                                                                                                                                                                               | 8-K         | 000-20574          | 4.2                                                  | 6/15/21               |
| 4.3                | <a href="#">Form of certificate representing the 0.375% Convertible Senior Notes due 2026 (included as Exhibit A to Exhibit 4.2)</a>                                                                                                                                                                                                                                                                                                                                                                                                                              | 8-K         | 000-20574          | 4.3                                                  | 6/15/21               |
| 10.1               | <a href="#">The Cheesecake Factory Incorporated Stock Incentive Plan, as amended by the Amendment</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 8-K         | 000-20574          | 10.1                                                 | 5/23/2022             |
| 31.1               | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | —           | —                  | —                                                    | Filed herewith        |
| 31.2               | <a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | —           | —                  | —                                                    | Filed herewith        |
| 32.1               | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer</a>                                                                                                                                                                                                                                                                                                                                                                                         | —           | —                  | —                                                    | Filed herewith        |
| 32.2               | <a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer</a>                                                                                                                                                                                                                                                                                                                                                                                         | —           | —                  | —                                                    | Filed herewith        |
| 101.1              | The following materials from The Cheesecake Factory Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 28, 2022, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of income, (iii) condensed consolidated statements of comprehensive income, (iv) condensed consolidated statement of stockholders' equity, (v) condensed consolidated statements of cash flows, and (vi) the notes to the condensed consolidated financial statements | —           | —                  | —                                                    | Filed herewith        |
| 104.1              | The cover page of The Cheesecake Factory Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 28, 2022, formatted in iXBRL (included with Exhibit 101.1)                                                                                                                                                                                                                                                                                                                                                                                       | —           | —                  | —                                                    | Filed herewith        |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 1, 2022

### THE CHEESECAKE FACTORY INCORPORATED

By: /s/ DAVID OVERTON

David Overton

*Chairman of the Board and Chief Executive Officer*

*(Principal Executive Officer)*

By: /s/ MATTHEW E. CLARK

Matthew E. Clark

*Executive Vice President and Chief Financial Officer*

*(Principal Financial Officer)*

THE CHEESECAKE FACTORY INCORPORATED  
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Overton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Cheesecake Factory Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2022

/s/ DAVID OVERTON

David Overton

*Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)*

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THE CHEESECAKE FACTORY INCORPORATED  
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew E. Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Cheesecake Factory Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2022

/s/ MATTHEW E. CLARK

Matthew E. Clark

*Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)*

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THE CHEESECAKE FACTORY INCORPORATED  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Cheesecake Factory Incorporated (the “Company”) on Form 10-Q for the period ended June 28, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Overton, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2022

/s/ DAVID OVERTON

David Overton

*Chairman of the Board and Chief Executive Officer*

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THE CHEESECAKE FACTORY INCORPORATED  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Cheesecake Factory Incorporated (the “Company”) on Form 10-Q for the period ended June 28, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew E. Clark, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 1, 2022

/s/ MATTHEW E. CLARK

Matthew E. Clark

*Executive Vice President and Chief Financial Officer*

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