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The Cheesecake Factory, Inc.

2Q18: Rising Costs Slice Earnings

Stock Rating
Equal-weight

Industry View
In-Line

Price Target
\$50.00

CAKE added to the list of 2Q casual dining disappointments. Top line matched published expectations but short of hopes, while one-time costs caused an EPS miss, and fallout from industry-leading labor inflation causes full year estimates to fall. Cutting FY18/19e to \$2.44/\$2.77, PT to \$50.

WHAT'S CHANGED

The Cheesecake Factory, Inc. (CAKE.O)	From	To
Price Target	\$51.00	\$50.00

Our take: Similar to 1Q, CAKE missed 2Q EPS by a substantial margin on one-time/non-operating costs, but unlike the 1Q, didn't produce sales upside to soften the blow. Underlying top line trends aren't deteriorating, but nor are they getting better, looked at through the lens of two year trends. Additionally, the outlook for the full year was cut again, this time to \$2.40-\$2.48 from a post tax reform high (Feb 18) of \$2.64-\$2.80. We estimate 20c of that reduction is from one-time/non operating expenses (legal, insurance) but the remainder (~8c) relates to higher-than-expected labor, where inflation is now running 6-7% vs 5-6% prior expectations. Beyond the quarter, the enduring question is what happens in 2019, as we think the company only has a reasonable chance of keeping its restaurant margins flat if labor inflation retreats to 5%, and commodities inflation normalizes to 1-2% (vs 2.5% in 18). 2019 should have some favorability vs the one-time items in 18 (assuming they don't recur), but likely will be below where consensus had pegged them (~17%). Management believes there could be cost opportunities should this labor inflation persists but has not announced any specific actions. Lowering estimates, as described below, and PT to \$50.

Quarter in review: Operating EPS of 65c missed MSe and Street of 81c (prior guidance 78-82c) on lower restaurant margins and higher G&A mainly owing to one-time/unexpected cost items (legal expense and group medical, \$9mm combined or -14c EPS impact). Cheesecake Factory SSS of 1.4% topped our 1.1% estimate (but matched the Street) and were at the high end of guidance; traffic was down 2.1% (worse than our model at -1.5%), pricing +2.9%, and mix +0.6% (driven by off premise). RLM of 17.5% compared to our 18.1% estimate and Street 18.2% (with labor +190 bps y/y, ~70 bps attributable to the medical cost item), and G&A of \$41.1mm topped our \$38.2mm, though would have been lower ex legal item. Adjusted EPS also excludes a 4c drag from lease termination cost. Tax rate of 10.4% was lower than our model on higher FICA tip credits. The dividend was increased 14% to 33c per quarter.

Outlook: 3Q SSS guidance of 1.5-2.5% roughly brackets consensus and includes a

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The Cheesecake Factory, Inc. (CAKE.O, CAKE US)

Restaurants / United States of America

Stock Rating	Equal-weight			
Industry View	In-Line			
Price target	\$50.00			
Shr price, close (Jul 31, 2018)	\$56.03			
Mkt cap, curr (mm)	\$2,631			
52-Week Range	\$60.19-38.34			
Fiscal Year Ending	12/17	12/18e	12/19e	12/20e
Consensus EPS (\$)	2.60	2.68	2.92	3.13
ModelWare EPS (\$)	3.48	2.46	2.77	3.06
Prior ModelWare EPS (\$)	-	2.66	2.85	3.08
P/E	13.8	22.8	20.2	18.3
Div yld (%)	2.2	2.3	2.4	2.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Thomson Reuters Estimates
e = Morgan Stanley Research estimates

QUARTERLY MODELWARE EPS (\$)

Quarter	2017	2018e Prior	2018e Current	2019e Prior	2019e Current
Q1	0.73	-	0.56a	0.71	0.70
Q2	0.79	-	0.66a	0.81	0.86
Q3	0.56	0.65	0.59	0.67	0.59
Q4	1.43	0.64	0.64	0.65	0.63

e = Morgan Stanley Research estimates, a = Actual Company reported data

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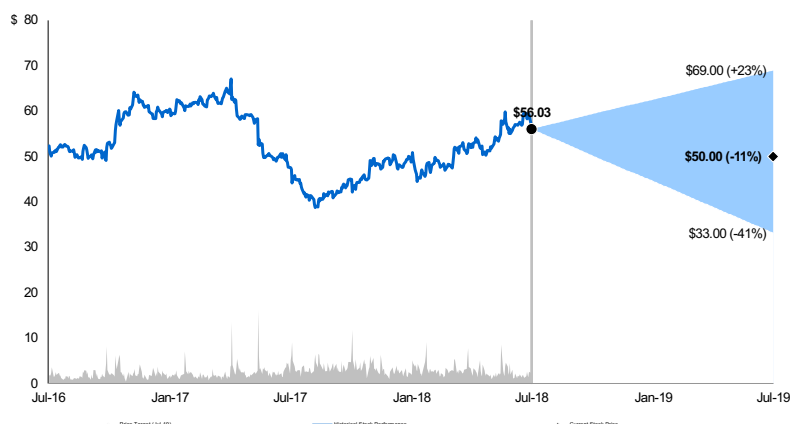
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lap of the hurricanes in 3Q17 (~80 bps drag last year). We expect pricing to remain close to 3% and positive mix again from off-premise (~13% of sales, one quarter of which is delivery) while traffic remains negative. FY18 comp guidance rises at the low end, to 1.5-2% from 1-2% prior. 3Q EPS guide of 56-60c is lower than our prior model mainly owing to labor inflation running 6-7%, and the FY18 guide of \$2.40-\$2.48 (\$2.62-2.74 prior) includes the one-time cost impact from 2Q (~14c), greater wage inflation (~8c), and slightly higher pre-opening (~2c). The company should open 6 units this year (4-6 prior) including 1 Grand Lux and 1 Social Monk (the new internally developed fast casual concept); 3 licensed units will also open internationally. New guidance suggests y/y RLM declines will continue in 2H, in contrast to previous hopes in the bull camp for flattish margins. The company pushed its long term 2022 goals (which includes ~7.5% op margin) out to 2023, in part reflecting greater labor pressures than expected. In 2019, we expect RLM to increase slightly but effectively only due to the one-time items that burdened 2H18; labor should remain a material headwind for core margins and new technology or processes may be required to offset this and help drive CAKE towards its longer term margin goals.

Changes to our model: 2018 EPS declines to \$2.44 from \$2.66 reflecting the 2Q miss and lower 2H estimates given the latest guidance and expectations for labor inflation. FY18 SSS to 1.8% from 1.7% prior, and RLM to 16.8% from 17.1%. 2019 falls to \$2.77 from \$2.85. Our PT falls to \$50 from \$51 based on these revised earnings estimates.

The Cheesecake Factory, Inc. (CAKE): Risk-Reward Snapshot

Risk-Reward View



Source: Thomson Reuters, Morgan Stanley Research

Price Target **\$50**

18x our FY19 EPS estimate of \$2.77. Multiple is roughly in line with mature CDR average. DCF implies ~\$55 assuming a 8% WACC and 2.0% terminal growth rate.

Bull **\$69**

19x Bull Case '19e EPS of \$3.65

Piece of Cake: Upside in the stock will likely come with both a pick up in development, modest margin improvement as sales improvement is largely offset by input inflation, and multiple expansion from increased earnings visibility. Our bull case assumes CAKE margins of ~8% in 2019.

Base **\$50**

18x Base Case '19e EPS of \$2.77

Having Cake and Eating It Too: Base case assumes ~1.5% comp, and unit growth at ~3%, with some help from international, as well. Operating margins of roughly 6-6.5% by 2019 primarily due to ongoing labor line pressure.

Bear **\$33**

15x Bear Case '19e EPS of \$2.18

Crummy: Macro remains difficult, AUV growth flat and margins remain under pressure due to elevated dairy and labor costs. Unit growth of ~1% in 2019.

Investment Thesis

- **Solid, steady story in a rocky CDR environment.** A stable growth story with reliable comp growth, and the benefits of the int'l story are starting to be felt.
- **Leaner cost structure could generate peak margins once again,** with less than peak AUVs. High AUV model means that and each point of comp is worth about \$0.08+ in EPS.

Key Value Drivers

- **Improving average unit volumes,** but still below peak (\$11M). CAKE's destination-orientation has it positioned to outperform in a recovery.
- **Free cash flow:** CAKE's high volume store model generates significant cash. We expect share repurchases to continue at a similar pace to recent years.
- Each new international franchised unit adds 1c to EPS.

Risks to Achieving Price Target

- Geographic concentration, especially in California (min wage hikes continue to cycle into cost base along with broader labor market tightness).
- Commodity costs, particularly shrimp and dairy.
- High fixed-cost model.

Exhibit 1: CAKE Income Statement Model

Fiscal Year Ending December (\$ in millions)	2012A	2013A	2014A	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E
Total Revenues	1,809.0	1,877.9	1,976.6	2,100.7	2,275.7	563.4	569.9	555.4	571.8	2,260.5	590.7	593.2	590.9	597.3	2,372.0	2,492.8
Total cost of sales	450.2	455.7	490.3	504.0	526.6	129.1	128.8	127.5	134.0	519.4	135.7	133.1	135.6	138.6	543.0	568.4
Labor expenses	580.2	603.1	646.1	684.8	760.0	193.8	193.1	193.5	197.2	777.6	210.7	212.5	212.1	210.8	846.2	898.0
Other operating costs and expenses	439.6	452.6	478.5	500.6	540.4	135.7	137.5	138.4	141.3	552.8	148.3	143.8	145.4	146.3	583.8	606.1
G&A	104.2	114.7	119.1	137.4	146.0	36.3	35.3	35.4	34.6	141.5	39.3	41.4	37.8	37.0	155.5	155.4
D&A	74.4	78.6	82.8	85.6	88.0	23.2	23.3	23.0	23.2	92.7	24.0	23.7	23.6	23.9	95.3	100.1
Asset Impairment	9.5	(0.6)	0.7	6.0	0.1	0.8	0.4	0.0	9.1	10.3	0.0	2.6	0.0	0.0	2.6	0.0
Pre-opening costs	12.3	12.9	14.4	16.9	13.6	1.0	1.3	3.4	7.6	13.3	1.1	1.4	3.0	5.0	10.5	11.5
Operating Income	138.7	160.9	144.7	165.2	201.0	43.6	50.2	34.3	24.7	152.8	31.6	34.5	33.3	35.6	135.0	153.4
EBITDA	222.7	239.0	228.3	256.8	289.1	67.5	74.0	57.3	57.1	255.9	55.6	60.9	57.0	59.5	232.9	253.5
Net interest income (expense)	(4.7)	(4.5)	(6.2)	(5.9)	(9.2)	(1.3)	(1.6)	(1.6)	(2.0)	(6.4)	(1.5)	(2.9)	(1.5)	(1.6)	(7.5)	(6.7)
Other income (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	134.0	156.4	138.5	159.4	191.8	42.3	48.6	32.7	22.8	146.5	30.0	31.6	31.8	34.0	127.5	146.7
Income taxes	35.6	42.1	37.3	42.8	52.3	7.3	10.5	6.3	(34.9)	(10.9)	4.0	3.3	4.1	4.4	15.9	19.1
Net income	98.4	114.4	101.3	116.5	139.5	35.0	38.2	26.4	57.7	157.4	26.0	28.4	27.7	29.6	111.7	127.6
Non-recurring charges (pre-tax)		(0.6)	0.7	6.0	0.1	0.0	0.0	0.0	9.1	9.1	0.0	2.6	0.0	0.0	2.6	0.0
Non-recurring charges (after-tax)	5.3	(0.4)	0.4	3.6	0.1	0.5	0.3	0.0	(33.1)	(32.3)	0.0	1.9	0.0	0.0	1.9	0.0
Operating EPS	\$1.88	\$2.10	\$1.97	\$2.37	\$2.83	\$0.72	\$0.78	\$0.56	\$0.53	\$2.60	\$0.56	\$0.65	\$0.59	\$0.64	\$2.44	\$2.77
Non-recurring charges	\$0.10	-\$0.01	\$0.01	\$0.07	\$0.00	\$0.01	\$0.01	\$0.00	-\$0.71	-\$0.67	\$0.00	\$0.04	\$0.00	\$0.00	\$0.04	\$0.00
Reported EPS	\$1.78	\$2.10	\$1.96	\$2.30	\$2.83	\$0.71	\$0.78	\$0.56	\$1.24	\$3.27	\$0.56	\$0.61	\$0.59	\$0.64	\$2.40	\$2.77
Diluted shares outstanding	55.2	54.4	51.6	50.6	49.4	49.2	49.0	47.5	46.7	48.2	46.6	46.6	46.6	46.3	46.5	46.0
Margin Analysis																
Total cost of sales	24.9%	24.3%	24.8%	24.0%	23.1%	22.9%	22.6%	22.9%	23.4%	23.0%	23.0%	22.4%	23.0%	23.2%	22.9%	22.8%
Labor expenses	32.1%	32.1%	32.7%	32.6%	33.4%	34.4%	33.9%	34.8%	34.5%	34.4%	35.7%	35.8%	35.9%	35.3%	35.7%	36.0%
Other operating expenses	24.3%	24.1%	24.2%	23.8%	23.7%	24.1%	24.1%	24.9%	24.7%	24.5%	25.1%	24.2%	24.6%	24.5%	24.6%	24.3%
Restaurant Margin	18.7%	19.5%	18.3%	19.6%	19.7%	18.6%	19.4%	17.3%	17.4%	18.2%	16.2%	17.5%	16.6%	17.0%	16.8%	16.9%
G&A	5.8%	6.1%	6.0%	6.5%	6.4%	6.4%	6.2%	6.4%	6.0%	6.3%	6.6%	7.0%	6.4%	6.2%	6.6%	6.2%
D&A	4.1%	4.2%	4.2%	4.1%	3.9%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Margin (ex charges)	8.2%	8.5%	7.4%	8.2%	8.8%	7.9%	8.9%	6.2%	5.9%	7.2%	5.3%	6.3%	5.6%	6.0%	5.8%	6.2%
Operating Margin	7.7%	8.6%	7.3%	7.9%	8.8%	7.7%	8.8%	6.2%	4.3%	6.8%	5.3%	5.8%	5.6%	6.0%	5.7%	6.2%
EBITDA	12.3%	12.7%	11.5%	12.2%	12.7%	12.0%	13.0%	10.3%	10.0%	11.3%	9.4%	10.3%	9.6%	10.0%	9.8%	10.2%
Effective Tax Rate	26.5%	26.9%	26.9%	26.9%	27.3%	17.2%	21.5%	19.2%	-153.3%	-7.5%	13.4%	10.4%	13.0%	13.0%	12.4%	13.0%
Net Margin	5.4%	6.1%	5.1%	5.5%	6.1%	6.2%	6.7%	4.8%	10.1%	7.0%	4.4%	4.8%	4.7%	5.0%	4.7%	5.1%
Year/Year % Change																
Cheesecake Factory Restaurants		5.2%	6.2%	6.7%	8.6%	1.8%	1.6%	-0.9%	-6.0%	-1.0%	5.0%	4.2%	5.3%	3.8%	4.6%	4.1%
Other (Grand Luxe, Rock Sugar, Int'l & Bakery)		-7.0%	-3.2%	1.7%	5.7%	1.7%	5.7%	-0.3%	3.1%	2.6%	3.6%	2.9%	17.5%	10.3%	8.6%	14.9%
Total Revenues	2.9%	3.8%	5.3%	6.3%	8.3%	1.8%	2.0%	-0.8%	-5.2%	-0.7%	4.8%	4.1%	6.4%	4.5%	4.9%	5.1%
G&A	8.2%	10.2%	3.8%	15.4%	6.3%	2.7%	-1.4%	-1.9%	-11.0%	-3.1%	8.2%	17.4%	6.9%	7.1%	9.9%	-0.1%
Operating Income	3.9%	16.0%	-10.1%	14.2%	21.6%	-10.4%	-9.0%	-31.5%	-47.5%	-24.0%	-27.6%	-31.2%	-2.9%	43.9%	-11.6%	13.6%
Net Income	2.8%	16.2%	-11.4%	15.1%	19.7%	3.2%	-1.1%	-23.5%	78.3%	12.8%	-25.7%	-25.7%	4.6%	-48.7%	-29.1%	14.3%
EPS	14.8%	11.6%	-5.9%	20.4%	19.1%	6.4%	0.7%	-20.8%	-20.6%	-8.1%	-22.6%	-17.1%	6.7%	21.0%	-6.0%	13.6%
Units and SSS (18-month)																
Cheesecake Factory	162	168	177	187	194	194	193	194	199	199	199	198	199	202	202	207
Grand Lux	14	11	11	12	13	13	13	13	13	13	13	13	14	14	14	15
Rock Sugar	1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2
Licensed Units (not in unit count)	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2
Units	177	180	189	200	208	208	207	208	214	214	214	213	215	219	219	226
Y/Y % change	4.1%	1.7%	5.0%	5.8%	4.0%	3.5%	2.5%	3.0%	2.9%	2.9%	2.9%	2.9%	3.4%	2.3%	2.3%	3.2%
International Units	3	4	7	10	15	15	16	17	19	19	20	21	22	22	22	26
Operating Weeks	8,957	9,156	9,510	9,991	10,722	2,704	2,698	2,698	2,743	10,842	2,782	2,776	2,782	2,815	11,154	11,466
Y/Y % change	2.1%	2.2%	3.9%	5.1%	7.3%	3.7%	3.0%	2.7%	-4.4%	1.1%	2.9%	2.9%	3.1%	2.6%	2.9%	2.8%
Average Weekly Sales (all units)	\$0.195	\$0.199	\$0.202	\$0.205	\$0.207	\$0.203	\$0.206	\$0.201	\$0.202	\$0.203	\$0.208	\$0.209	\$0.206	\$0.205	\$0.207	\$0.211
Y/Y % change	1.4%	2.3%	1.3%	1.8%	0.7%	(0.0)%	(0.6)%	(2.4)%	(0.8)%	(1.8)%	0.0%	0.9%	2.3%	1.2%	1.9%	1.9%
SSS (blended)	1.9%	1.0%	1.2%	2.1%	1.3%	(0.0)%	(0.6)%	(2.4)%	(0.8)%	(1.0)%	0.9%	2.3%	1.2%	1.4%	1.4%	1.7%
Price/Mx	1.2%	1.8%	2.4%	2.2%	2.5%	1.3%	1.3%	1.3%	1.3%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Traffic	0.7%	(0.9)%	(1.2)%	(0.1)%	(1.2)%	(1.3)%	(1.8)%	(3.7)%	(2.1)%	(2.2)%	0.7%	(0.1)%	1.3%	0.2%	0.5%	0.7%

Source: Company data, Morgan Stanley Research

Exhibit 2: CAKE Balance Sheet Model

Fiscal Year Ending December (\$ in millions)	2014A	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E
ASSETS														
Current Assets														
Cash and equivalents	58.0	43.9	53.8	65.7	66.3	19.8	6.0	6.0	24.8	45.2	36.0	44.6	44.6	65.0
Investments and marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	15.2	14.2	15.6	12.5	14.1	13.2	19.9	19.9	16.3	14.6	13.9	16.3	16.3	17.2
Income tax receivable	17.4	18.7	-	-	4.2	5.0	15.0	15.0	1.3	1.3	1.3	1.3	1.3	1.3
Other receivables	62.3	72.7	64.6	32.3	34.7	33.9	67.5	67.5	26.4	26.4	26.4	26.4	26.4	26.4
Inventories	33.3	34.0	34.9	38.5	40.2	44.2	42.6	42.6	41.0	40.7	44.9	44.9	44.9	47.1
Prepaid expenses	38.2	42.0	52.4	52.6	50.9	48.5	57.7	57.7	54.0	54.0	54.0	54.0	54.0	54.0
Deferred income taxes	15.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	239.5	225.4	221.4	201.6	210.5	164.6	208.6	208.6	163.9	182.4	176.6	187.5	187.5	211.2
Net PP&E	828.3	892.2	910.1	910.6	913.4	933.5	935.0	935.0	935.3	931.6	927.9	919.0	919.0	930.9
Other Assets														
Investments and marketable securities	-	-	-	-	-	-	-	-	-	14.3	21.6	21.9	21.9	31.9
Prepaid rent	46.2	46.9	42.2	41.4	40.7	39.7	39.4	39.4	37.9	37.9	37.9	37.9	37.9	37.9
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	62.5	68.9	119.6	123.3	134.7	137.6	150.0	150.0	150.3	150.3	150.3	150.3	150.3	150.3
Total Other Assets	108.7	115.8	161.8	164.7	175.4	177.2	189.4	189.4	188.2	202.5	209.8	210.1	210.1	220.1
TOTAL ASSETS	1,176.5	1,233.3	1,293.3	1,276.8	1,299.3	1,275.3	1,333.1	1,333.1	1,287.3	1,316.4	1,314.3	1,316.7	1,316.7	1,362.2
LIABILITIES AND SHAREHOLDERS' EQUITY														
Current Liabilities														
Accounts payable	57.3	47.8	41.6	34.9	46.2	46.6	51.0	51.0	38.8	49.7	49.8	52.3	52.3	55.5
Income taxes payable	-	-	2.3	5.5	-	-	-	-	-	-	-	-	-	-
Other accrued expenses	264.7	302.5	332.7	282.7	283.7	276.2	347.0	347.0	305.5	305.5	305.5	305.5	305.5	305.5
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	322.0	350.2	376.5	323.1	329.9	322.8	398.0	398.0	344.3	355.2	355.3	357.8	357.8	361.0
Deferred Income Taxes	96.5	82.5	82.4	85.6	84.7	83.5	57.2	57.2	57.1	57.1	57.1	57.1	57.1	57.1
Deferred rent	73.9	72.9	71.6	70.9	75.3	74.8	74.8	74.8	73.7	73.7	73.7	73.7	73.7	73.7
Deferred landlord financing liability	77.2	87.8	100.6	107.5	104.6	113.6	108.6	108.6	112.9	115.3	117.6	120.0	120.0	135.0
Long-term debt	-	-	-	-	-	30.0	10.0	10.0	30.0	30.0	30.0	30.0	30.0	30.0
Other non-current liabilities	50.4	51.3	59.0	62.2	64.3	67.2	71.0	71.0	75.2	75.2	75.2	75.2	75.2	75.2
Stockholders' Equity														
Common Stock	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Additional Paid-In Capital	654.0	710.2	774.1	784.2	791.8	797.5	799.9	799.9	806.5	814.6	822.7	830.8	830.8	863.3
Retained Earnings	1,060.2	1,140.8	1,238.0	1,261.6	1,288.2	1,301.2	1,345.7	1,345.7	1,354.9	1,369.7	1,382.0	1,396.3	1,396.3	1,463.2
Accumulated Other Comprehensive Income (loss)	-	-	-	-	-	(0.0)	(0.1)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Treasury Stock	(1,158.7)	(1,263.4)	(1,409.9)	(1,419.2)	(1,440.4)	(1,516.3)	(1,532.9)	(1,532.9)	(1,567.8)	(1,574.9)	(1,599.9)	(1,624.9)	(1,624.9)	(1,696.9)
Total Shareholders' Equity	556.5	588.5	603.2	627.5	640.5	583.4	613.5	613.5	594.2	610.1	605.5	602.9	602.9	630.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,176.5	1,233.3	1,293.3	1,276.8	1,299.3	1,275.3	1,333.1	1,333.1	1,287.3	1,316.5	1,314.4	1,316.7	1,316.7	1,362.2

Source: Company data, Morgan Stanley Research

Exhibit 3: CAKE Cash Flow Model

Fiscal Year Ending December (\$ in millions)	2012A	2013A	2014A	2015A	2016A	1Q17A	2Q17A	3Q17A	4Q17A	2017A	1Q18A	2Q18E	3Q18E	4Q18E	2018E	2019E
Cash flows from operations:																
Net income	98.4	114.4	101.3	116.5	139.5	35.0	38.2	26.4	57.7	157.4	26.0	28.4	27.7	29.6	111.7	127.6
Depreciation and amortization	74.4	78.6	82.8	85.6	88.0	23.2	23.3	23.0	23.2	92.7	24.0	23.7	23.6	23.9	95.3	100.1
Impairment of assets and lease terminations	5.5	3.3	0.2	6.0	0.1	0.8	0.7	0.0	9.1	10.6	-	-	-	-	-	-
Gain on available-for-sale securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution of land and building	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	(12.8)	4.6	0.2	1.2	(1.0)	3.2	(0.9)	(1.1)	(26.3)	(25.2)	1.2	-	-	-	1.2	-
Stock-based compensation	10.8	14.1	16.8	20.1	21.5	4.6	5.2	5.3	1.4	16.5	6.0	6.0	6.0	6.0	24.1	24.1
Tax benefit from stock options exercises	2.4	7.2	8.9	12.5	13.7	-	-	-	-	-	-	-	-	-	-	-
Excess tax benefit related to stock options exercised	(2.8)	(7.8)	(8.9)	(12.3)	(13.9)	-	-	-	-	-	-	-	-	-	-	-
Other	1.3	(0.5)	2.1	2.6	3.6	-	-	-	-	-	-	-	-	-	-	-
Change in assets and liabilities	18.1	(9.1)	36.2	3.3	51.0	(18.7)	(0.6)	(13.3)	19.4	(13.2)	17.7	12.8	(3.3)	0.2	27.4	(0.1)
Cash flows provided by operations	195.4	204.8	239.6	235.4	302.5	48.1	65.8	40.3	84.6	238.8	74.9	70.9	54.0	59.7	259.5	251.7
Cash flows from investing activities:																
Capital expenditures	(86.4)	(106.3)	(114.0)	(153.9)	(115.8)	(19.2)	(24.5)	(29.7)	(47.4)	(120.8)	(30.7)	(20.0)	(20.0)	(15.0)	(85.7)	(112.0)
Investments in available for sale securities/other	-	-	-	-	(42.0)	(0.1)	(0.5)	(0.3)	(0.8)	(1.7)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	-
Other- investment in affiliates, sales of AFS securities	(1.7)	(1.7)	(1.9)	(1.8)	(1.6)	(0.3)	(8.7)	-	(9.0)	(18.0)	-	(14.0)	(7.0)	-	(21.0)	(10.0)
Cash flows used in investing activities	(88.2)	(107.9)	(115.9)	(155.7)	(159.5)	(19.6)	(33.7)	(30.0)	(57.1)	(140.4)	(31.0)	(34.3)	(27.3)	(15.3)	(107.9)	(122.0)
Cash flows from financing activities:																
Deemed landlord financing proceeds	2.1	13.7	14.1	14.3	17.2	-	-	3.2	8.9	12.1	3.6	3.6	3.6	3.6	14.4	20.0
Deemed landlord financing payments	(1.9)	(2.1)	(2.7)	(3.1)	(3.7)	(1.1)	(1.1)	(1.1)	(1.2)	(4.4)	(1.3)	(1.3)	(1.3)	(1.3)	(5.0)	(5.0)
Issuance of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid for fractional shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of employee stock options	39.3	72.9	22.9	28.0	28.4	5.4	2.3	0.4	0.9	9.0	0.5	2.1	2.1	2.1	6.9	8.4
Excess tax benefit related to stock options exercised	2.8	7.8	8.9	12.3	13.9	-	-	-	-	-	-	-	-	-	-	-
Borrowings (Repayments) on credit facility	-	-	-	-	-	-	-	30.0	(20.0)	10.0	20.0	-	-	-	20.0	-
Purchase of treasury stock	(101.4)	(183.7)	(140.5)	(109.4)	(146.5)	(9.3)	(21.3)	(75.8)	(16.6)	(123.0)	(34.9)	(7.1)	(25.0)	(25.0)	(92.0)	(72.0)
Payment for future treasury stock purchases under ASR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of Dividend	(12.8)	(27.2)	(30.3)	(36.0)	(42.4)	(11.7)	(11.5)	(13.5)	(13.3)	(49.9)	(13.2)	(13.5)	(15.4)	(15.3)	(57.3)	(60.8)
Capital Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flows provided by (used in) financing activities	(71.9)	(118.7)	(127.5)	(93.9)	(133.1)	(16.7)	(31.5)	(56.8)	(41.2)	(146.1)	(25.2)	(16.1)	(35.9)	(35.8)	(113.0)	(109.3)
FX translation adjustment	-	-	-	-	-	-	-	-	(0.1)	(0.1)	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	35.4	(21.8)	(3.7)	(14.2)	10.0	11.8	0.6	(46.5)	(13.8)	(47.8)	18.8	20.5	(9.2)	8.6	38.6	20.4
Cash at Beginning of Period	48.2	83.6	61.8	58.0	43.9	53.8	65.7	66.3	19.8	53.8	6.0	24.8	45.2	36.0	6.0	44.6
Cash at Period End	83.6	61.8	58.0	43.9	53.8	65.7	66.3	19.8	6.0	6.0	24.8	45.2	36.0	44.6	44.6	65.0

Source: Company data, Morgan Stanley Research

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TOTAL	3,106		744			1414	

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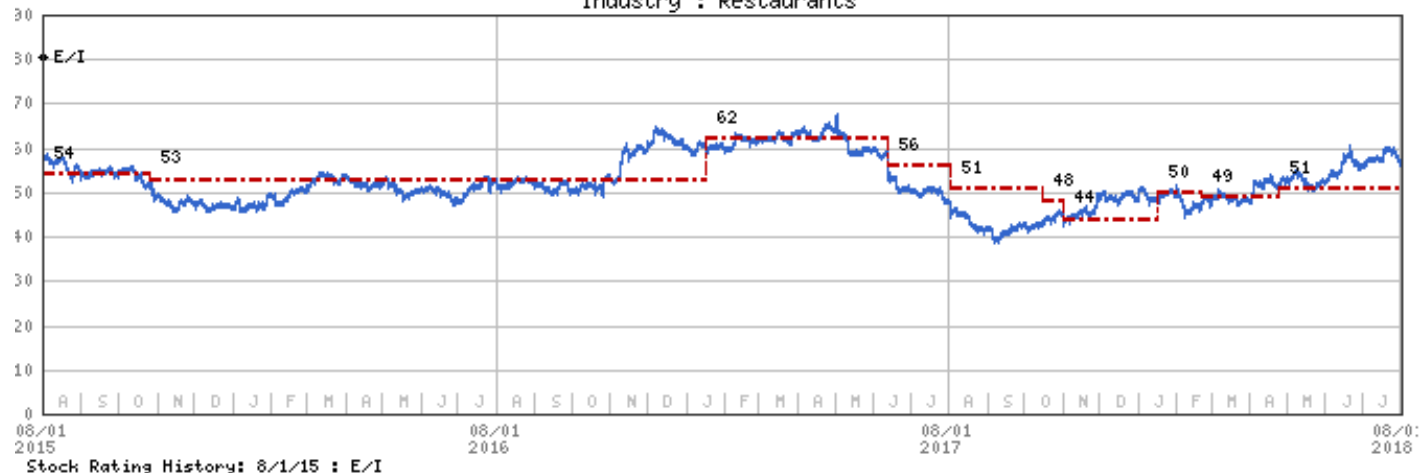
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The Cheesecake Factory, Inc. (CAKE.O) - As of 7/31/18 in USD
Industry : Restaurants

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INDUSTRY COVERAGE: Restaurants

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/31/2018)
John Glass		
BJ's Restaurants, Inc. (BJRI.O)	E (09/16/2015)	\$63.25
Bloomin' Brands Inc (BLMN.O)	U (01/17/2017)	\$19.34
Brinker International Inc. (EAT.N)	U (01/17/2017)	\$47.17
Chipotle Mexican Grill, Inc. (CMG.N)	E (07/15/2016)	\$433.66
Darden Restaurants Inc. (DRI.N)	E (10/30/2014)	\$106.94
Dominos Pizza Inc. (DPZ.N)	E (03/27/2008)	\$262.66
Dunkin Brands Group Inc (DNKN.O)	E (09/06/2011)	\$69.63
El Pollo Loco Holdings (LOCO.O)	E (12/03/2014)	\$11.60
Jack in the Box Inc. (JACK.O)	E (03/26/2018)	\$84.24
McDonald's Corporation (MCD.N)	E (10/06/2014)	\$157.54
Noodles & Co (NDLS.O)	E (03/30/2014)	\$10.45
Red Robin Gourmet Burgers, Inc. (RRGB.O)	E (01/09/2013)	\$47.30
Restaurant Brands International, Inc. (QSR.N)	O (03/26/2018)	\$63.13
Shake Shack Inc (SHAK.N)	E (12/07/2017)	\$62.33
Sonic Corp. (SONC.O)	E (06/19/2013)	\$35.15
Starbucks Corp. (SBUX.O)	E (06/20/2018)	\$52.39
Texas Roadhouse, Inc. (TXRH.O)	E (01/17/2017)	\$62.84
The Cheesecake Factory, Inc. (CAKE.O)	E (03/27/2008)	\$56.03
The Wendy's Company (WEN.O)	E (01/08/2015)	\$16.68
Wingstop Inc (WING.O)	O (07/07/2015)	\$49.35
Yum! Brands, Inc. (YUMN)	E (01/09/2014)	\$79.29
Lillian Lou		
Yum China Holdings Inc. (YUMC.N)	O (03/20/2018)	\$36.08

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.