

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

	December 31, 2019	January 1, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,416	\$ 26,578
Accounts receivable	25,619	20,928
Income taxes receivable	4,626	—
Other receivables	64,683	68,193
Inventories	47,225	38,886
Prepaid expenses	43,946	40,645
Total current assets	<u>244,515</u>	<u>195,230</u>
Property and equipment, net	<u>831,599</u>	<u>913,275</u>
Other assets:		
Intangible assets, net	437,207	26,209
Prepaid rent	—	34,961
Operating lease assets	1,240,976	—
Investments in unconsolidated affiliates	—	79,767
Other	86,296	64,691
Total other assets	<u>1,764,479</u>	<u>205,628</u>
Total assets	<u>\$ 2,840,593</u>	<u>\$ 1,314,133</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 61,946	\$ 49,071
Income taxes payable	—	712
Gift card liabilities	187,978	172,336
Operating lease liabilities	128,081	—
Other accrued expenses	236,582	194,381
Total current liabilities	<u>614,587</u>	<u>416,500</u>
Deferred income taxes	33,847	52,123
Deferred rent liabilities	—	79,697
Deemed landlord financing liabilities	—	113,095
Long-term debt	290,000	10,000
Operating lease liabilities	1,189,869	—
Other noncurrent liabilities	140,548	71,659
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value, 250,000,000 shares authorized; 97,685,178 and 96,621,990 shares issued at December 31, 2019 and January 1, 2019, respectively	977	967
Additional paid-in capital	855,989	828,676
Retained earnings	1,408,333	1,384,494
Treasury stock, 52,916,434 and 51,791,941 shares at cost at December 31, 2019 and January 1, 2019, respectively	(1,693,122)	(1,642,140)
Accumulated other comprehensive loss	(435)	(938)
Total stockholders' equity	<u>571,742</u>	<u>571,059</u>
Total liabilities and stockholders' equity	<u>\$ 2,840,593</u>	<u>\$ 1,314,133</u>

See the accompanying notes to the consolidated financial statements.

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

	Fiscal Year		
	2019	2018	2017
Revenues	\$ 2,482,692	\$ 2,332,331	\$ 2,260,502
Costs and expenses:			
Cost of sales	561,783	532,880	519,388
Labor expenses	899,667	834,134	777,595
Other operating costs and expenses	631,613	566,825	552,791
General and administrative expenses	160,199	154,770	141,533
Depreciation and amortization expenses	88,133	95,976	92,729
Impairment of assets and lease terminations	18,247	17,861	10,343
Acquisition-related costs	5,270	—	—
Acquisition-related contingent consideration, compensation and amortization expenses	1,033	—	—
Preopening costs	13,149	10,937	13,278
Total costs and expenses	2,379,094	2,213,383	2,107,657
Income from operations	103,598	118,948	152,845
Gain/(loss) on investments in unconsolidated affiliates	39,233	(4,754)	(479)
Interest and other expense, net	(2,497)	(6,783)	(5,900)
Income before income taxes	140,334	107,411	146,466
Income tax provision/(benefit)	13,041	8,376	(10,926)
Net income	\$ 127,293	\$ 99,035	\$ 157,392
Net income per share:			
Basic	\$ 2.90	\$ 2.19	\$ 3.35
Diluted	\$ 2.86	\$ 2.14	\$ 3.27
Weighted average shares outstanding:			
Basic	43,949	45,263	46,930
Diluted	44,545	46,215	48,152

See the accompanying notes to the consolidated financial statements.

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

	Fiscal Year		
	2019	2018	2017
Net income	\$ 127,293	\$ 99,035	\$ 157,392
Other comprehensive gain/(loss):			
Foreign currency translation adjustment	503	(850)	(88)
Other comprehensive gain/(loss)	503	(850)	(88)
Total comprehensive income	<u>\$ 127,796</u>	<u>\$ 98,185</u>	<u>\$ 157,304</u>

See the accompanying notes to the consolidated financial statements.

THE CHEESECAKE FACTORY INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance, January 3, 2017	94,672	\$ 947	\$ 774,137	\$ 1,238,012	\$ (1,409,889)	\$ —	\$ 603,207
Net income	—	—	—	157,392	—	—	157,392
Foreign currency translation adjustment	—	—	—	—	—	(88)	(88)
Cash dividends declared Common stock, \$1.06 per share	—	—	—	(49,738)	—	—	(49,738)
Stock-based compensation	—	—	16,696	—	—	—	16,696
Common stock issued under stock-based compensation plans	740	7	9,029	—	—	—	9,036
Treasury stock purchases	—	—	—	—	(122,975)	—	(122,975)
Balance, January 2, 2018	95,412	954	799,862	1,345,666	(1,532,864)	(88)	613,530
Cumulative effect of adopting the pronouncement related to revenue recognition, net of tax	—	—	—	(3,560)	—	—	(3,560)
Balance, January 2, 2018, as adjusted	95,412	954	799,862	1,342,106	(1,532,864)	(88)	609,970
Net income	—	—	—	99,035	—	—	99,035
Foreign currency translation adjustment	—	—	—	—	—	(850)	(850)
Cash dividends declared Common stock, \$1.24 per share	—	—	—	(56,647)	—	—	(56,647)
Stock-based compensation	554	6	20,245	—	—	—	20,251
Common stock issued under stock-based compensation plans	656	7	8,569	—	—	—	8,576
Treasury stock purchases	—	—	—	—	(109,276)	—	(109,276)
Balance, January 1, 2019	96,622	967	828,676	1,384,494	(1,642,140)	(938)	571,059
Cumulative effect of adopting the pronouncement related to lease accounting, net of tax	—	—	—	(41,466)	—	—	(41,466)
Balance, January 1, 2019, as adjusted	96,622	967	828,676	1,343,028	(1,642,140)	(938)	529,593
Net income	—	—	—	127,293	—	—	127,293
Foreign currency translation adjustment	—	—	—	—	—	503	503
Cash dividends declared Common stock, \$1.38 per share	—	—	—	(61,988)	—	—	(61,988)
Stock-based compensation	476	4	19,595	—	—	—	19,599
Common stock issued under stock-based compensation plans	587	6	7,718	—	—	—	7,724
Treasury stock purchases	—	—	—	—	(50,982)	—	(50,982)
Balance, December 31, 2019	97,685	\$ 977	\$ 855,989	\$ 1,408,333	\$ (1,693,122)	\$ (435)	\$ 571,742

See the accompanying notes to the consolidated financial statements.

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

	Fiscal Year		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 127,293	\$ 99,035	\$ 157,392
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization expenses	88,133	95,976	92,729
Deferred income taxes	(2,197)	(5,510)	(25,180)
Impairment of assets and lease terminations	16,223	16,411	10,586
Stock-based compensation	19,373	19,988	16,457
(Gain)/loss from investments in unconsolidated affiliates	(39,233)	4,754	479
Changes in assets and liabilities, net of acquired amounts:			
Accounts and other receivables	3,777	3,680	(7,188)
Income taxes receivable/payable	(5,338)	15,729	(17,315)
Inventories	(5,766)	3,667	(7,634)
Prepaid expenses	(4,133)	6,262	(5,227)
Operating lease assets/liabilities	5,019	—	—
Other assets	(11,989)	7,406	(9,034)
Accounts payable	2,326	5,601	3,771
Gift card liabilities	9,695	8,395	10,200
Other accrued expenses	15,578	9,921	18,760
Cash provided by operating activities	218,761	291,315	238,796
Cash flows from investing activities:			
Additions to property and equipment	(73,765)	(102,909)	(120,779)
Additions to intangible assets	(2,100)	(3,020)	(1,654)
Acquisition, net of cash acquired	(261,695)	—	—
Investments in unconsolidated affiliates	(3,000)	(25,000)	(18,000)
Loans made to unconsolidated affiliates	(22,500)	—	—
Proceeds from variable life insurance contract	—	540	—
Cash used in investing activities	(363,060)	(130,389)	(140,433)
Cash flows from financing activities:			
Deemed landlord financing proceeds	—	21,788	12,128
Deemed landlord financing payments	—	(5,128)	(4,391)
Borrowings on credit facility	335,000	70,000	85,000
Repayments on credit facility	(55,000)	(70,000)	(75,000)
Proceeds from exercise of stock options	7,724	8,576	9,036
Cash dividends paid	(60,722)	(56,251)	(49,889)
Treasury stock purchases	(50,982)	(109,276)	(122,975)
Cash provided by/(used in) financing activities	176,020	(140,291)	(146,091)
Foreign currency translation adjustment	117	(65)	(103)
Net change in cash and cash equivalents	31,838	20,570	(47,831)
Cash and cash equivalents at beginning of period	26,578	6,008	53,839
Cash and cash equivalents at end of period	\$ 58,416	\$ 26,578	\$ 6,008
Supplemental disclosures:			
Interest paid	\$ 1,646	\$ 8,156	\$ 7,128
Income taxes paid	\$ 20,778	\$ 10,149	\$ 31,582
Construction payable	\$ 6,504	\$ 4,585	\$ 12,145
Non-cash operating:			
Settlement of sale-leaseback accounting	\$ —	\$ 11,863	\$ —
Non-cash investing:			
Settlement of landlord sale-leaseback accounting	\$ —	\$ 6,824	\$ —
Acquisition-related deferred consideration and compensation	\$ (66,257)	\$ —	\$ —
Fair value of previously-held equity investments	\$ (122,000)	\$ —	\$ —
Loans repaid by unconsolidated affiliates as a reduction of acquisition cash	\$ 12,500	\$ —	\$ —
Loan to unconsolidated affiliate assumed in acquisition	\$ 10,000	\$ —	\$ —
Non-cash financing:			
Settlement of landlord financing obligation for sale-leaseback leases	\$ —	\$ (18,687)	\$ —
Deemed landlord financing proceeds	\$ —	\$ 13,748	\$ —

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