
**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 April 3, 2018

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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company
Emerging growth company

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 May 4, 2018, 45,826,273 shares of the registrant's Common Stock, \$.01 par value per share, were outstanding.

**THE CHEESECAKE FACTORY INCORPORATED
INDEX**

	Page Number
PART I	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Unaudited Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Income</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4.</u>	
<u>Controls and Procedures</u>	21
PART II	
<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	22
<u>Item 1A.</u>	
<u>Risk Factors</u>	22
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 6.</u>	
<u>Exhibits</u>	23
<u>Signatures</u>	25

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements.**

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

	April 3, 2018	January 2, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,801	\$ 6,008
Accounts receivable	16,348	19,865
Income taxes receivable	1,348	15,016
Other receivables	26,376	67,518
Inventories	40,959	42,560
Prepaid expenses	54,036	57,666
Total current assets	<u>163,868</u>	<u>208,633</u>
Property and equipment, net	<u>935,279</u>	<u>935,045</u>
Other assets:		
Intangible assets, net	24,233	24,065
Prepaid rent expenses	37,875	39,399
Other	126,088	125,918
Total other assets	<u>188,196</u>	<u>189,382</u>
Total assets	<u>\$ 1,287,343</u>	<u>\$ 1,333,060</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 38,805	\$ 50,984
Gift card liabilities	138,134	163,951
Other accrued expenses	167,367	183,016
Total current liabilities	<u>344,306</u>	<u>397,951</u>
Deferred income taxes	57,122	57,216
Deferred rent liabilities	73,666	74,761
Deemed landlord financing liability	112,895	108,627
Long-term debt	30,000	10,000
Other noncurrent liabilities	75,161	70,975
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value, 250,000,000 shares authorized; 95,957,475 and 95,412,030 issued at April 3, 2018 and January 2, 2018, respectively	960	954
Additional paid-in capital	806,479	799,862
Retained earnings	1,354,855	1,345,666
Treasury stock, 50,261,838 and 49,534,212 shares at cost at April 3, 2018 and January 2, 2018, respectively	(1,567,767)	(1,532,864)
Accumulated other comprehensive loss	(334)	(88)
Total stockholders' equity	<u>594,193</u>	<u>613,530</u>
Total liabilities and stockholders' equity	<u>\$ 1,287,343</u>	<u>\$ 1,333,060</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 Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Revenues	\$ 590,691	\$ 563,426
Costs and expenses:		
Cost of sales	135,719	129,139
Labor expenses	210,714	193,835
Other operating costs and expenses	148,332	135,650
General and administrative expenses	39,274	36,287
Depreciation and amortization expenses	24,002	23,196
Impairment of assets and lease terminations	—	786
Preopening costs	1,099	970
Total costs and expenses	<u>559,140</u>	<u>519,863</u>
Income from operations	31,551	43,563
Interest and other expense, net	<u>(1,506)</u>	<u>(1,256)</u>
Income before income taxes	30,045	42,307
Income tax provision	4,016	7,264
Net income	<u>\$ 26,029</u>	<u>\$ 35,043</u>
Net income per share:		
Basic	<u>\$ 0.57</u>	<u>\$ 0.74</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.71</u>
Weighted average shares outstanding:		
Basic	45,552	47,634
Diluted	46,574	49,210
Cash dividends declared per common share	\$ 0.29	\$ 0.24

See the accompanying notes to the condensed consolidated financial statements.

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

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Net income	\$ 26,029	\$ 35,043
Other comprehensive loss:		
Foreign currency translation adjustment	(246)	—
Other comprehensive loss	(246)	—
Total comprehensive income	<u>\$ 25,783</u>	<u>\$ 35,043</u>

See the accompanying notes to the condensed consolidated financial statements.

THE CHEESECAKE FACTORY INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
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	—	—	—	(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	—	—	—	26,029	—	—	26,029
Foreign currency translation adjustment	—	—	—	—	—	(246)	(246)
Cash dividends declared	—	—	—	(13,280)	—	—	(13,280)
Stock-based compensation	334	4	6,079	—	—	—	6,083
Common stock issued under stock-based compensation plans	211	2	538	—	—	—	540
Treasury stock purchases	—	—	—	—	(34,903)	—	(34,903)
Balance, April 3, 2018	<u>95,957</u>	<u>\$ 960</u>	<u>\$ 806,479</u>	<u>\$ 1,354,855</u>	<u>\$ (1,567,767)</u>	<u>\$ (334)</u>	<u>\$ 594,193</u>

See the accompanying notes to the condensed consolidated financial statements.

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

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Cash flows from operating activities:		
Net income	\$ 26,029	\$ 35,043
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization expenses	24,002	23,196
Deferred income taxes	1,157	3,186
Impairment of assets and lease terminations	—	786
Stock-based compensation	6,013	4,615
Changes in assets and liabilities:		
Accounts receivable	3,491	3,172
Other receivables	41,103	32,264
Inventories	1,601	(3,615)
Prepaid expenses	3,630	(147)
Other assets	1,276	(2,650)
Accounts payable	(3,645)	(3,560)
Income taxes receivable/payable	13,668	3,164
Other accrued expenses	(43,382)	(47,350)
Cash provided by operating activities	<u>74,943</u>	<u>48,104</u>
Cash flows from investing activities:		
Additions to property and equipment	(30,688)	(19,223)
Additions to intangible assets	(307)	(302)
Investments in unconsolidated affiliates	—	(88)
Cash used in investing activities	<u>(30,995)</u>	<u>(19,613)</u>
Cash flows from financing activities:		
Deemed landlord financing proceeds	3,610	—
Deemed landlord financing payments	(1,251)	(1,056)
Borrowings on credit facility	30,000	—
Repayments on credit facility	(10,000)	—
Proceeds from exercise of stock options	540	5,368
Cash dividends paid	(13,168)	(11,685)
Treasury stock purchases	(34,903)	(9,291)
Cash used in financing activities	<u>(25,172)</u>	<u>(16,664)</u>
Foreign currency translation adjustment	17	—
Net change in cash and cash equivalents	18,793	11,827
Cash and cash equivalents at beginning of period	6,008	53,839
Cash and cash equivalents at end of period	<u>\$ 24,801</u>	<u>\$ 65,666</u>
Supplemental disclosures:		
Interest paid	<u>\$ 2,030</u>	<u>\$ 1,627</u>
Income taxes paid	<u>\$ 610</u>	<u>\$ 894</u>
Construction payable	<u>\$ 3,538</u>	<u>\$ 3,475</u>

See the accompanying notes to the condensed consolidated financial statements.

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

1. Basis of Presentation and Significant Accounting Policies

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”) 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 January 2, 2018 filed with the SEC on February 28, 2018.

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.

We utilize a 52/53-week fiscal year ending on the Tuesday closest to December 31 for financial reporting purposes. Fiscal 2018 consists of 52 weeks and will end on January 1, 2019. Fiscal 2017, which ended on January 2, 2018, was also a 52-week year.

Recent Accounting Pronouncements

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance on the recognition and measurement of leases. Under the new standard, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. The guidance does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. The standard requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. This update is effective for annual and interim periods beginning after December 15, 2018 and requires a modified retrospective approach, with optional practical expedients. Although early adoption is permitted, we will adopt these provisions in the first quarter of fiscal 2019. We expect this adoption will result in a material increase in the assets and liabilities on our consolidated balance sheets, but will likely have an insignificant impact on our consolidated statements of income. In preparation for the adoption of the guidance, we are in the process of implementing controls and key system changes to enable the preparation of the required financial information.

Recently Adopted Accounting Standards

In May 2014, the FASB issued accounting guidance that provides a comprehensive new revenue recognition model that supersedes most of the existing revenue recognition requirements and requires entities to recognize revenue at an amount that reflects the consideration to which a company expects to be entitled in exchange for transferring goods or services to a customer. We implemented this standard as of the first day of fiscal 2018, and the only impact to our condensed consolidated financial statements relates to recognition of development and site fees from our international licensees. Utilizing the cumulative-effect method of adoption, we recorded a \$4.8 million increase to deferred revenue and a corresponding reduction of \$3.6 million, net of tax, to retained earnings to reverse a portion of the previously recognized fees. Whereas previously we recognized income and received payment upon execution of the agreements and approval of new restaurant sites, respectively, future revenue for these items will be recorded on a straight-line basis over the life of the applicable licensee agreements as the agreements do not contain distinct performance obligations. Comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods.

[Table of Contents](#)

The impact of adopting this standard as compared to the previous revenue recognition guidance was not material to our condensed consolidated balance sheet and condensed consolidated statements of income and comprehensive income in the first quarter of fiscal 2018. No new development or site agreements were executed during the quarter and we recognized revenue of \$0.1 million during the quarter that was included in the deferred revenue balance at the beginning of the period.

Revenue Recognition

Our revenues consist of sales at our Company-owned restaurants, sales from our bakery operations to our licensees and other third-party customers, royalties from our licensees' restaurant sales and consumer packaged goods, and licensee development and site fees.

Revenues from restaurant sales are recognized when payment is tendered at the point of sale. Revenues from bakery sales are recognized upon transfer of title and risk to customers. Royalty revenues are recognized in the period the related sales occur, utilizing the sale-based royalty exception available under current accounting guidance. Development and site fees are recognized as revenue over the life of the applicable agreements, ranging from eight to 30 years.

We recognize a liability upon the sale of our gift cards and recognize revenue when these gift cards are redeemed in our restaurants. Based on our historical redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as "breakage." Breakage is recognized over a three-year period in proportion to historical redemption trends and is classified as revenues in our consolidated statements of income. Incremental direct costs related to gift card sales, including commissions and credit card fees, are deferred and recognized in earnings in the same pattern as the related gift card revenue.

Certain of our promotional programs include multiple element arrangements that incorporate various performance obligations. We allocate revenue using the relative selling price of each performance obligation considering the likelihood of redemption and recognize revenue upon satisfaction of each performance obligation. We recognized revenue of \$5.9 million during the quarter that was included in the deferred revenue balance at the beginning of the period.

Revenues are presented net of sales taxes. Sales tax collected is included in other accrued expenses until the taxes are remitted to the appropriate taxing authorities.

Impairment of Long-Lived Assets and Lease Terminations

We assess the potential impairment of our long-lived assets whenever events or changes in circumstances indicate the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner in which an asset is being used, an expectation that an asset will be disposed of significantly before the end of its previously estimated useful life and significant negative industry or economic trends. We regularly review restaurants that are cash flow negative for the previous four quarters and those that are being considered for closure or relocation to determine if impairment testing is warranted. At any given time, we may be monitoring a small number of locations, and future impairment charges could be required if individual restaurant performance does not improve or we make the decision to close or relocate a restaurant.

In the first quarter of fiscal 2017, we recorded \$0.8 million of accelerated depreciation expense related to the relocation of one The Cheesecake Factory restaurant. In February 2018, we made the decision to close one The Cheesecake Factory restaurant in May 2018. Related costs will be incurred in the second quarter of fiscal 2018.

Income Taxes

The Tax Cuts and Jobs Act ("Tax Act"), which was enacted on December 22, 2017, made significant changes to how corporations are taxed in the U.S., the most prominent of which affecting us was to lower the U.S. corporate tax rate from 35% to 21%. We believe we have properly estimated our federal and state income tax liabilities, and our accounting for the income tax effects of the Act has been completed. However, given the amount and complexity of the changes in tax law resulting from the Tax Act, we continue to analyze the effects of the Tax Act on our income tax provision. We may make further refinements to our calculations considering technical guidance that may be published and changes to current interpretations of certain provisions of the Tax Act. Any impacts to our provision as the result of additional guidance will be recorded in the period in which the guidance is issued.

2. Inventories

Inventories consisted of (in thousands):

	April 3, 2018	January 2, 2018
Restaurant food and supplies	\$ 18,404	\$ 18,407
Bakery finished goods and work in progress	17,158	18,423
Bakery raw materials and supplies	5,397	5,730
Total	\$ 40,959	\$ 42,560

3. Gift Cards

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

Gift card liabilities:

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Beginning balance	\$ 163,951	\$ 153,629
Activations	21,744	21,654

Redemptions and breakage	(47,561)	(47,665)
Ending balance	\$ 138,134	\$ 127,618

Gift card assets(1):

	<u>Thirteen Weeks Ended April 3, 2018</u>	<u>Thirteen Weeks Ended April 4, 2017</u>
Beginning balance	\$ 23,814	\$ 23,786
Deferrals	2,721	2,791
Amortization	(4,817)	(4,790)
Ending balance	\$ 21,718	\$ 21,787

(1) Contract assets related to gift cards are included in prepaid expenses on the condensed consolidated balance sheet.

4. Long-Term Debt

We maintain a \$200 million unsecured revolving credit facility (“Facility”), \$50 million of which may be used for issuances of letters of credit. Availability under the Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. The Facility, which matures on December 22, 2020, contains a commitment increase feature that could provide for an additional \$100 million in available credit upon our request and subject to the participating lenders electing to increase their commitments or by means of the addition of new lenders. Certain of our material subsidiaries guarantee our obligations under the Facility. During the first quarter of fiscal 2018, we utilized the Facility to fund a portion of our stock repurchases. At April 3, 2018, we had net availability for borrowings of \$149.3 million, based on a \$30.0 million outstanding debt balance and \$20.7 million in standby letters of credit.

We are subject to certain financial covenants under the Facility requiring us to maintain (i) a maximum “Net Adjusted Leverage Ratio” of 4.0 and (ii) a minimum EBITDAR to interest and rental expense ratio (“EBITDAR Ratio”) of 1.9, with each of the capitalized terms in this Note 4 as defined in the Facility. The Facility limits cash distributions with respect to our equity interests, such as cash dividends and share repurchases, based on a defined ratio, and also sets forth negative covenants that restrict indebtedness, liens, investments, sales of assets, fundamental changes and other matters. Our Net Adjusted Leverage and EBITDAR Ratios were 2.9 and 2.7, respectively, at April 3, 2018, and we were in compliance with all covenants in effect at that date.

Borrowings under the Facility bear interest, at our option, at a rate per annum equal to either (i) the Adjusted LIBO Rate plus a margin ranging from 1.00% to 1.75% based on our Net Adjusted Leverage Ratio or (ii) the sum of (a) the highest of (1) the rate of interest publicly announced by JPMorgan Chase Bank as its prime rate in effect, (2) the greater of the Federal Funds Effective Rate or the 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 ranging from 0.00% to 0.75% based on our Net Adjusted Leverage Ratio. We also pay customary fees on the unused portion of the Facility and on our outstanding letters of credit.

5. Commitments and Contingencies

On November 26, 2014, a former restaurant hourly employee filed a class action lawsuit in the San Diego County Superior Court, alleging that the Company violated the California Labor Code and California Business and Professions Code, by failing to pay overtime, to permit required rest breaks and to provide accurate wage statements, among other claims (*Masters v. The Cheesecake Factory Restaurants, Inc., et al.*; Case No. 37-2014-00040278). By stipulation, the parties agreed to transfer Case No. 37-2014-00040278 to the Orange County Superior Court. On March 2, 2015, Case No. 37-2014-00040278 was officially transferred and assigned a new Case No. 30-2015-00775529 in the Orange County Superior Court. On June 27, 2016, we gave notice to the court that Case Nos. CIV1504091 and BC603620 described below may be related. On May 23, 2017, the parties participated in voluntary mediation, which concluded without resolution. Subsequent to the plaintiff filing a second amended complaint on July 14, 2017, the parties agreed to resume mediation. The plaintiff seeks unspecified amounts of fees, penalties and other monetary payments on behalf of the plaintiff and other purported class members. The parties resumed mediation on February 13, 2018 and reached a tentative settlement subject to documentation and court approval. Based upon the current status of this matter, we have reserved an immaterial amount.

On May 28, 2015, a group of current and former restaurant hourly employees filed a class action lawsuit in the U.S. District Court for the Eastern District of New York, alleging that the Company violated the Fair Labor Standards Act and New York Labor Code, by requiring employees to purchase uniforms for work and violated the State of New York’s minimum wage and overtime provisions (*Guglielmo v. The Cheesecake Factory Restaurants, Inc., et al.*; Case No. 2:15-CV-03117). On September 8, 2015, the Company filed its response to the complaint, requesting the court to compel arbitration against opt-in plaintiffs with valid arbitration agreements. On July 21, 2016, the court issued an order confirming the agreement of the parties to dismiss all class claims with prejudice and to allow the case to proceed as a collective action covering a limited number of the Company’s restaurants in the State of New York. On July 31, 2017, the parties participated in voluntary mediation, which concluded without resolution. On February 21, 2018, the parties reached a tentative settlement subject to documentation and court approval. Based upon the current status of this matter, we have reserved an immaterial amount.

On December 10, 2015, a former restaurant management employee filed a class action lawsuit in the Los Angeles County Superior Court, alleging that the Company improperly classified its managerial employees, failed to pay overtime, and failed to provide accurate wage statements, in addition to other claims. The lawsuit seeks unspecified penalties under PAGA in addition to other monetary payments (*Tagalagon v. The Cheesecake Factory Restaurants, Inc.*; Case No. BC603620). On March 23, 2016, the parties issued their joint status conference statement at which time we gave notice to the court that Case Nos. 30-2015-00775529 and CIV1504091 may be related. On April 29, 2016, the Company filed its response to the complaint. We intend to vigorously defend this action. However, it is not possible at this time to reasonably estimate the outcome of or any potential liability from this matter and, accordingly, we have not reserved for any potential future payments.

On July 12, 2017, a lawsuit was filed in the Los Angeles County Superior Court alleging that the Company violated California’s unfair business practices statute by improperly calculating suggested gratuity amounts on split payment transactions. (*Goldman v. The Cheesecake Factory Incorporated*; Case No. BC668334). On December 1, 2017, the Company filed a demurrer to the plaintiff’s complaint. The plaintiff filed his opposition on December 26, 2017. On March 27, 2018, the Court sustained the demurrer without leave to amend as to six of the seven causes of action in the complaint. On April 16, 2018, the Company filed its answer to the complaint, and the parties also agreed to a partial stay of the case for 60 days to allow for informal discussions and an informal exchange of information with the purpose of exploring a possible resolution of the case. We intend to vigorously defend this action. However, it is not possible at this time to reasonably estimate the outcome of or any potential liability from this matter and, accordingly, we have not reserved for any potential future payments.

[Table of Contents](#)

During the first quarter of fiscal 2017, the Internal Revenue Service (“IRS”) issued its examination report for tax years 2010, 2011 and 2012 in which they disallowed a total of \$12.9 million of our §199 Domestic Production Activity Deductions for the subject years. On February 27, 2017, we submitted a Protest Memorandum indicating our disagreement with the disallowance and requesting a review of our case by the Appeals Division of the IRS. Our case is now under the jurisdiction of the Appeals Division, and on August 8, 2017 we held an opening conference with the Appeals Team Case Leader (“ATCL”) in the Los Angeles Appeals office. We had a subsequent discussion with the ATCL to emphasize the merits of our position. We intend to vigorously defend our position and, based on our analysis of the law, regulations and relevant facts, we believe our position will be ultimately sustained if litigation is necessary. Based on the current status of this matter, we have not reserved for any potential future payments.

On February 3, 2017, a class action lawsuit was filed in the U.S. District Court for the Southern District of Florida, alleging that the Company violated the Fair and Accurate Credit Transaction Act, by failing to properly censor consumer credit or debit card information. (Muransky v. The Cheesecake Factory Incorporated; Case No. 0:17-cv-60229-JEM). On February 21, 2017 and February 28, 2017, two additional lawsuits were filed in California and New York, respectively, alleging similar claims to Case No. 0:17-cv-60229-JEM. (Tibbits v. The Cheesecake Factory Incorporated; Case No. 1:17-cv-00968 (E.D.N.Y.); Zhang v. The Cheesecake Factory Incorporated; Case No 8:17-cv-00357 (C.D. Cal.)). The Company filed a motion to transfer and dismiss Case No. 0:17-cv-60229-JEM on March 24, 2017 and similarly filed a motion to transfer and dismiss Case No. 1:17-cv-00968 on April 7, 2017. On October 16, 2017, the Florida court granted the Company’s motion to transfer Case No. 0:17-cv-60229JEM to California to be consolidated with Case No. 8:17-cv-00357, and the plaintiff filed a motion for reconsideration thereof. The plaintiff in Case No. 1:17-cv-00968 agreed to transfer its case to California and such matter was subsequently consolidated with Case No 8:17-cv-00357. On April 3, 2018, the parties participated in voluntary mediation, which concluded without resolution. These lawsuits seek unspecified penalties in addition to other monetary payments. We intend to vigorously defend these actions. However, it is not possible at this time to reasonably estimate the outcome of or any potential liability from these matters and, accordingly, we have not reserved for any potential future payments.

On February 3, 2017, five present and former restaurant hourly employees filed a class action lawsuit in the San Diego County Superior Court, alleging that the Company violated the California Labor Code and California Business and Professions Code, by failing to permit required meal and rest breaks, and failing to provide accurate wage statements, among other claims (Abdelaziz v. The Cheesecake Factory Restaurants, Inc., et al.; Case No 37-2016-00039775-CU-OE-CTL). On February 22, 2017, a lawsuit was filed in the San Diego County Superior Court, alleging similar claims to Case No. 37-2016-00039775-CU-OE-CTL (Rodriguez v. The Cheesecake Factory Restaurants, Inc., et al.; Case No. 37-2017-00006571-CU-OE-CTL). The San Diego County Superior Court consolidated Case Nos. 37-2016-00039775-CU-OR-CTL and 37-2017-00006571-CU-OE-CTL. The parties are scheduled to participate in voluntary mediation in the two consolidated cases on June 13, 2018. These lawsuits seek unspecified penalties under the California Private Attorneys’ General Act in addition to other monetary payments. We intend to vigorously defend these actions. Based upon the current status of these matters, we have reserved an immaterial amount.

Within the ordinary course of our business, we are subject to private lawsuits, government audits, 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, 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.

6. Stockholders’ Equity

On February 15, 2018, our Board of Directors (“Board”) approved a quarterly cash dividend of \$0.29 per share that was paid on March 20, 2018 to the stockholders of record at the close of business on February 28, 2018. 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 our Facility and such other factors that our Board considers relevant.

[Table of Contents](#)

On July 21, 2016, our Board increased the authorization to repurchase our common stock by 7.5 million shares to 56.0 million shares. Under this and all previous authorizations, we cumulatively repurchased 50.3 million shares at a total cost of \$1,567.8 million through April 3, 2018, including 0.7 million shares at a cost of \$34.9 million repurchased during first quarter of fiscal 2018. Repurchased common stock is reflected as a reduction of stockholders' equity in treasury stock. Share repurchases have been executed under stock repurchase plans adopted from time to time by our Board in furtherance of its repurchase authorization and are intended to qualify for safe harbor protection in accordance with Rule 10b5-1 and Rule 10b-18 of the Securities Act of 1934. Repurchases made during the first quarter of fiscal 2018 were made under a stock repurchase plan adopted by our Board on October 26, 2017, effective from December 1, 2017 through April 30, 2018. On February 15, 2018, our Board of Directors approved the adoption of a new stock repurchase plan, which will be effective from May 1, 2018 through July 31, 2018.

Our share repurchase authorization 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. Shares may be repurchased in the open market or through privately negotiated transactions at times and prices considered appropriate by us. All purchases in the open market are made in compliance with Rule 10b-18. We make the determination to repurchase shares based on several factors, including an evaluation of current and future capital needs associated with new restaurant development, current and forecasted cash flows, including dividend payments and growth capital contributions to North Italia and Flower Child, a review of our capital structure and cost of capital, our share price and current market conditions. The timing and number of shares repurchased are also subject to legal constraints and financial covenants under our Facility that limit share repurchases based on a defined ratio. (See Note 4 for further discussion of our long-term debt.) Our objectives with regard to share repurchases are to offset the dilution to our shares outstanding that results from equity compensation grants and to supplement our earnings per share growth.

7. Stock-Based Compensation

On April 5, 2017, our Board approved an amendment to our 2010 Stock Incentive Plan to increase the number of shares of common stock available for grant under the plan to 12.7 million shares from 9.2 million shares. This amendment was approved by our stockholders at our annual meeting held on June 8, 2017. This is our only active stock-based incentive plan, and approximately 3.2 million of these shares were available for grant as of April 3, 2018.

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

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Labor expenses	\$ 1,599	\$ 1,746
Other operating costs and expenses	64	98
General and administrative expenses	4,350	2,771
Total stock-based compensation	6,013	4,615
Income tax benefit	1,500	1,765
Total stock-based compensation, net of taxes	\$ 4,513	\$ 2,850
Capitalized stock-based compensation (1)	\$ 70	\$ 56

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

Stock Options

The weighted average fair value at the grant date for options issued during the first quarter of fiscal 2018 and 2017 was \$11.58 and \$14.88 per share, respectively. The fair value of options was estimated utilizing the Black-Scholes valuation model with the following weighted average assumptions for the first quarter of fiscal 2018 and 2017, respectively: (a) an expected option term of 6.9 years and 6.9 years, (b) expected stock price volatility of 27.8% and 24.4%, (c) a risk-free interest rate of 2.8% and 2.3%, and (d) a dividend yield on our stock of 2.5% and 1.6%.

[Table of Contents](#)

Stock option activity during the thirteen weeks ended April 3, 2018 was as follows:

	Shares (In thousands)	Weighted Average Exercise Price (Per share)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value(1) (In thousands)
Outstanding at January 2, 2018	1,741	\$ 42.25	4.0	\$ 14,766
Granted	369	47.06		
Exercised	(20)	27.11		
Forfeited or cancelled	—	—		
Outstanding at April 3, 2018	<u>2,090</u>	\$ 43.25	4.4	\$ 13,609
Exercisable at April 3, 2018	1,275	\$ 38.66	2.9	\$ 13,059

- (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.

The total intrinsic value of options exercised during the thirteen weeks ended April 3, 2018 and April 4, 2017 was \$0.4 million and \$6.7 million, respectively. As of April 3, 2018, total unrecognized stock-based compensation expense related to unvested stock options was \$9.6 million, which we expect to recognize over a weighted average period of approximately 3.7 years.

Restricted Shares and Restricted Share Units

Restricted share and restricted share unit activity during the thirteen weeks ended April 3, 2018 was as follows:

	Shares (In thousands)	Weighted Average Fair Value (Per share)
Outstanding at January 2, 2018	1,694	\$ 46.38
Granted	337	47.06
Vested	(245)	42.28
Forfeited	(33)	45.32
Outstanding at April 3, 2018	<u>1,753</u>	\$ 47.11

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 first quarter of fiscal 2018 and fiscal 2017 was \$47.06 and \$61.29, respectively. The fair value of shares that vested during the first quarter of fiscal 2018 and fiscal 2017 was \$10.4 million and \$11.0 million, respectively. As of April 3, 2018, total unrecognized stock-based compensation expense related to unvested restricted shares and restricted share units was \$40.2 million, which we expect to recognize over a weighted average period of approximately 3.1 years.

8. 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 both April 3, 2018 and April 4, 2017, 1.8 million shares of restricted stock issued to staff members were unvested and, therefore, excluded from the calculation of basic earnings per share for the fiscal years ended on those dates. Diluted net income per share includes the dilutive effect of outstanding equity awards, calculated using the treasury stock method. Shares of common stock equivalents of 1.7 million and 0.6 million for April 3, 2018 and April 4, 2017, respectively, were excluded from the diluted calculation due to their anti-dilutive effect.

[Table of Contents](#)

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
(In thousands, except per share data)		
Net income	\$ 26,029	\$ 35,043
Basic weighted average shares outstanding	45,552	47,634
Dilutive effect of equity awards	1,022	1,576
Diluted weighted average shares outstanding	46,574	49,210
Basic net income per share	\$ 0.57	\$ 0.74
Diluted net income per share	\$ 0.56	\$ 0.71

9. Segment Information

For decision-making purposes, our management reviews discrete financial information for The Cheesecake Factory, Grand Lux Cafe and RockSugar Southeast Asian Kitchen restaurants, our bakery division, consumer packaged goods and our international licensing operations. Based on quantitative thresholds set forth in ASC 280, "Segment Reporting," The Cheesecake Factory is our only business that meets the criteria of a reportable operating segment. Grand Lux Cafe, RockSugar Southeast Asian Kitchen, bakery, consumer packaged goods, and international licensing are combined in "Other." Unallocated corporate expenses, assets and capital expenditures are presented below as reconciling items to the amounts presented in the condensed consolidated financial statements.

Segment information is presented below (in thousands):

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Revenues:		
The Cheesecake Factory restaurants	\$ 540,773	\$ 515,234
Other	49,918	48,192
Total	\$ 590,691	\$ 563,426
Income/(loss) from operations:		
The Cheesecake Factory restaurants(1)	\$ 62,117	\$ 70,543
Other	5,747	6,638
Corporate	(36,313)	(33,618)
Total	\$ 31,551	\$ 43,563
Depreciation and amortization:		
The Cheesecake Factory restaurants	\$ 19,638	\$ 19,037
Other	3,100	2,977
Corporate	1,264	1,182
Total	\$ 24,002	\$ 23,196
Capital expenditures:		
The Cheesecake Factory restaurants	\$ 19,466	\$ 18,143
Other(2)	10,578	365
Corporate	644	715
Total	\$ 30,688	\$ 19,223
April 3, 2018 January 2, 2018		
Total assets:		
The Cheesecake Factory restaurants	\$ 904,749	\$ 937,512
Other	170,083	167,096
Corporate	212,511	228,452
Total	\$ 1,287,343	\$ 1,333,060

(1) The thirteen weeks ended April 4, 2017 includes \$0.8 million of accelerated depreciation related to the relocation of one The Cheesecake Factory restaurant.

(2) The thirteen weeks ended April 3, 2018 includes costs related to an infrastructure modernization of our California bakery facility.

10. Subsequent Events

On April 23, 2018, our Board declared a quarterly cash dividend of \$0.29 per share to be paid on May 22, 2018 to the stockholders of record at the close of business on May 10, 2018.

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, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Acts"). This includes, without limitation, statements with respect to our expectations for growth in Company-owned and licensed locations, comparable sales, operating margins and diluted net earnings per share ("EPS"), as well as achieving our other financial objectives; our intention to repurchase stock, pay dividends, invest growth capital in North Italia and Flower Child, expand our consumer packaged goods licensing revenue and develop a fast casual concept; the impact of changes in tax laws and regulations; our future financial condition, results of operations, cash flows, plans, objectives, performance and business of The Cheesecake Factory Incorporated and its subsidiaries and 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 January 2, 2018.) 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. Except as may be required by law, we do not undertake any obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events, corrections in underlying assumptions, or changes in circumstances arising after the date that the forward-looking statement was made.

General

This discussion and analysis should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes included 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 January 2, 2018: the audited consolidated financial statements and related notes in Part IV, Item 15; the "Risk Factors" included in Part I, Item 1A; and the cautionary statements included throughout the report. 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.

Our business operates in the upscale casual dining segment of the restaurant industry. As of May 11, 2018, we operated 214 Company-owned restaurants: 199 under The Cheesecake Factory® mark, 13 under the Grand Lux Cafe® mark and two under the RockSugar Southeast Asian Kitchen® mark (formerly known as Rock Sugar Pan Asian Kitchen®). In addition, 21 The Cheesecake Factory branded restaurants in the Middle East, Mexico, and the Chinese Mainland and Special Administrative Region of Hong Kong were operated by third parties under licensing agreements. We also operated two bakery production facilities that produce desserts for our restaurants, international licensees and third-party bakery customers. We are selectively pursuing other means to leverage our competitive strengths, including investing in or acquiring new restaurant concepts, expanding The Cheesecake Factory® brand to other retail opportunities through The Cheesecake Factory At Home™ consumer packaged goods, and internally developing a fast casual concept.

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.

Investing in new Company-owned restaurant development is our top capital allocation priority, with a focus on opening our concepts in premier locations within both new and existing markets in the United States and Canada. We target an average cash-on-cash return on investment of approximately 20% to 25% at the unit level. 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 domestic revenue growth (comprised of our annual unit growth and comparable sales growth), combined with international expansion, contribution from our incremental growth opportunities, a robust share repurchase program and our dividend provide a framework with high visibility and one that supports our long-term financial objective of mid-teens growth in total return to shareholders. We define our total return as earnings per share growth plus our dividend yield. The following are the key performance levers that we believe will contribute to achieving these goals:

- *Grow Overall Revenues.* Our overall revenue growth is primarily driven by revenues from new restaurant openings, increases in comparable restaurant sales, and royalties and bakery sales from additional licensed international locations. Changes in comparable restaurant sales come from variations in customer traffic, as well as in average check.

Our strategy is to increase comparable restaurant sales by growing average check and stabilizing 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 and (2) focusing on service and hospitality with the goal of delivering an exceptional customer experience. We are continuing our efforts on a number of initiatives, including a greater focus on increasing customer throughput in our restaurants, leveraging the success of our gift card program, partnering with third parties to provide delivery services for our restaurants, enhancing our training programs and leveraging a new customer satisfaction measurement platform and online ordering capabilities.

Average check is driven by menu price increases and/or changes in menu mix. We generally update and reprint our menus twice a year, and our philosophy is to use price increases to help offset key operating cost increases in a manner that balances protecting both our margins and customer traffic levels. We plan to continue targeting menu price increases of approximately 2% to 3% annually going forward, utilizing a market-based strategy to help mitigate cost pressure in higher-wage geographies.

In addition, we are selectively pursuing a number of incremental growth opportunities, which we believe will contribute to revenue growth over time. These include: measured growth of our Grand Lux Cafe and RockSugar Southeast Asian Kitchen concepts; our investments in North Italia and Flower Child described under “Liquidity and Capital Resources” below; and consumer packaged goods opportunities, including The Cheesecake Factory At Home™-branded cookie, cupcake and cheesecake mixes, confections, coffee creamer and our Famous “Brown Bread” that are now available at a variety of retail stores. We have executed a lease for the first location of our internally developed fast casual concept which is scheduled to open in fiscal 2018.

- *Stabilize and Expand Operating Margins (Income from Operations Expressed as a Percentage of Revenues).* Operating margins are subject to fluctuations in commodity costs, labor, restaurant-level occupancy expenses, general and administrative expenses (“G&A”) and preopening expenses. Our objective is to stabilize our operating margins, and longer-term to drive margin expansion, by capturing fixed cost leverage primarily through increasing international royalties and contribution from our incremental growth opportunities. Maximizing our purchasing power as our business grows and operating our restaurants as productively as possible should help offset cost inflation, thereby supporting our margin expansion goal. By efficiently scaling our restaurant and bakery support infrastructure and improving our internal processes, we anticipate maintaining G&A expenses approximately flat as a percentage of revenues over the long-term.
- *Return Capital to Shareholders.* We have historically generated a significant amount of free cash flow, which we define as cash flow from operations less capital expenditures and our growth capital contributions to North Italia and Flower Child. We utilize substantially all of our free cash flow plus proceeds received from staff member stock option exercises for dividends and share repurchases, the latter of which offsets dilution from our equity compensation program and supports our earnings per share growth.

[Table of Contents](#)**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 Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Revenues	100.0%	100.0%
Costs and expenses:		
Cost of sales	23.0	22.9
Labor expenses	35.7	34.4
Other operating costs and expenses	25.1	24.1
General and administrative expenses	6.6	6.4
Depreciation and amortization expenses	4.1	4.1
Impairment of assets and lease terminations	—	0.1
Preopening costs	0.2	0.3
Total costs and expenses	<u>94.7</u>	<u>92.3</u>
Income from operations	5.3	7.7
Interest and other expense, net	<u>(0.2)</u>	<u>(0.2)</u>
Income before income taxes	5.1	7.5
Income tax provision	<u>0.7</u>	<u>1.3</u>
Net income	<u>4.4%</u>	<u>6.2%</u>

Thirteen Weeks Ended April 3, 2018 Compared to Thirteen Weeks Ended April 4, 2017*Revenues*

Revenues increased 4.8% to \$590.7 million for the thirteen weeks ended April 3, 2018 compared to \$563.4 million for the thirteen weeks ended April 4, 2017, primarily due to positive comparable restaurant sales and new restaurant openings.

Comparable sales at The Cheesecake Factory restaurants increased by 2.1%, or \$10.7 million, from the first quarter of fiscal 2017, outperforming the casual dining industry which experienced a comparable sales increase of 0.1%, as measured by Knapp Track. Our comparable sales growth was driven by average check growth of 2.7% (based on an increase of 2.7% in menu pricing and flat mix), partially offset by a decline in customer traffic of 0.6%. We implemented effective menu price increases of approximately 1.5% and 1.4% in the first quarter of fiscal 2018 and the third quarter of fiscal 2017, respectively. The Cheesecake Factory average sales per restaurant operating week increased 2.3% to \$209,100 in the first quarter of fiscal 2018 compared to \$204,300 in the first quarter of fiscal 2017. Total operating weeks at The Cheesecake Factory restaurants increased 2.6% to 2,587 for the thirteen weeks ended April 3, 2018 compared to the comparable prior year period.

Restaurants become eligible to enter our comparable sales base in their 19th month of operation. At April 3, 2018, there were eleven The Cheesecake Factory restaurants, one Grand Lux Cafe and one RockSugar Southeast Asian Kitchen not yet in our comparable sales base. International licensed locations and restaurants that are no longer in operation, including those which we have relocated, are excluded from our comparable sales calculations. Factors outside of our control, such as macroeconomic conditions, weather patterns, timing of holidays, competition and other factors, including those referenced in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended January 2, 2018, can impact comparable sales.

External bakery sales were \$12.4 million for the first quarter of fiscal 2018 compared to \$12.2 million in the comparable prior year period.

Cost of Sales

Cost of sales consists of food, beverage, retail 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 23.0% for the first quarter of fiscal 2018 compared to 22.9% for the comparable period of fiscal 2017, primarily driven by increased dairy, poultry and grocery costs, largely offset by lower seafood costs.

[Table of Contents](#)

The Cheesecake Factory restaurant menus are among the most diversified in the foodservice industry and, accordingly, are not overly dependent on a few select commodities. Changes in costs for one commodity sometimes can be offset by cost changes in other commodity categories. The principal commodity categories for our restaurants include general grocery items, dairy, produce, seafood, poultry, meat and bread. See the discussion of our contracting activities in Item 3 — “Quantitative and Qualitative Disclosures About Market Risk.”

As has been our past practice, we will carefully consider opportunities to introduce new menu items and implement selected menu price increases to help offset any expected cost increases for key commodities and other goods and services. For new restaurants, cost of sales will typically be higher for a period of time after opening until our management team becomes more accustomed to predicting, managing and servicing the sales volumes at these restaurants.

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 35.7% and 34.4% in the first quarter of fiscal 2018 and 2017, respectively. This variance was driven primarily by increased hourly labor costs, including higher wage rates, as well as additional overtime and training expenses.

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), 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 25.1% and 24.1% for the thirteen weeks ended April 3, 2018 and April 4, 2017, respectively. This variance primarily related to higher marketing costs, repairs and maintenance, bakery production overhead and self-insured workers' compensation costs. These increases were partially offset by lower rent expense due to sales leverage.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist of the restaurant management recruiting and training program, the 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 6.6% and 6.4% for the first quarters of fiscal 2018 and 2017, respectively. This variance was primarily due to higher stock-based compensation expense and legal settlement costs, partially offset by the timing of corporate events.

Depreciation and Amortization Expenses

As a percentage of revenues, depreciation and amortization expenses were 4.1% for both the thirteen weeks ended April 3, 2018 and the comparable period of last year.

Preopening Costs

Preopening costs were \$1.1 million for the thirteen weeks ended April 3, 2018 compared to \$1.0 million in the comparable period of fiscal 2017. We had no restaurant openings in the first quarters of fiscal 2018 and 2017. 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 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 \$1.5 million for the first quarter of fiscal 2018 compared to \$1.3 million for the comparable period last year. Interest expense associated with landlord construction allowances deemed to be financings in accordance with accounting guidance was \$1.7 million and \$1.5 million in the first quarters of fiscal 2018 and 2017, respectively.

Income Tax Provision

Our effective income tax rate was 13.4% for the first quarter of fiscal 2018 compared to 17.2% for the comparable prior year period. This decrease was primarily due to the impact of the Tax Act, partially offset by a lower benefit from exercised stock options and vested restricted stock.

[Table of Contents](#)

Non-GAAP Measures

Adjusted net income and adjusted diluted 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 and diluted net income per share the impact of items we do not consider indicative of our ongoing operations. We believe these adjusted measures provide additional information to facilitate the comparison of our past and present financial results. We utilize results that both include and exclude the identified items in evaluating business performance. 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.

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

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Net income	\$ 26,029	\$ 35,043
After-tax impact from:		
Impairment of assets and lease terminations (1)	—	472
Adjusted net income	<u>\$ 26,029</u>	<u>\$ 35,515</u>
Diluted net income per share	\$ 0.56	\$ 0.71
After-tax impact from:		
Impairment of assets and lease terminations (1)	—	0.01
Adjusted diluted net income per share	<u>\$ 0.56</u>	<u>\$ 0.72</u>

- (1) Includes \$0.5 million of accelerated depreciation in the thirteen weeks ended April 4, 2017 related to the relocation of one The Cheesecake Factory restaurant. The associated pre-tax amount was \$0.8 million. This amount was recorded in impairment of assets and lease terminations in the condensed consolidated statements of income.

Fiscal 2018 Outlook

For the second quarter of fiscal 2018, we estimate diluted net income per share will be between \$0.78 and \$0.82 based on an assumed comparable restaurant sales range of between 0.5% and 1.5% at The Cheesecake Factory restaurants.

We estimate diluted net income per share for fiscal 2018 will be between \$2.62 and \$2.74 based on an assumed comparable sales range of between 1% and 2% at The Cheesecake Factory restaurants, as well as the following cost assumptions. We currently expect commodity cost inflation of about 2.5% for fiscal 2018, with increases across most categories, most notably in poultry, seafood, dairy and produce costs. For fiscal 2018, we are estimating wage rate inflation of approximately 6% and an effective tax rate of between 13% and 14%.

We plan to open as many as four to six new restaurants, including one Grand Lux Cafe and the first location of an internally developed fast casual concept, in fiscal 2018. In addition to these Company-owned locations, we expect as many as four restaurants to open internationally under licensing agreements.

We expect fiscal 2018 cash capital expenditures to range between \$80 million and \$90 million and growth capital contributions to North Italia and Flower Child to range between \$20 million and \$25 million. We anticipate utilizing substantially all of our free cash flow, plus proceeds received from employee stock option exercises, for dividends and share repurchases. (See "Liquidity and Capital Resources" for further discussion of expected 2018 capital expenditures.)

[Table of Contents](#)**Liquidity and Capital Resources**

The following table presents, for the periods indicated, a summary of our key cash flows from operating, investing and financing activities (in millions):

	Thirteen Weeks Ended April 3, 2018	Thirteen Weeks Ended April 4, 2017
Cash provided by operating activities	\$ 74.9	\$ 48.1
Capital expenditures	\$ (30.7)	\$ (19.2)
Proceeds from exercise of stock options	\$ 0.5	\$ 5.4
Treasury stock purchases	\$ (34.9)	\$ (9.3)
Cash dividends paid	\$ (13.2)	\$ (11.7)

During the thirteen weeks ended April 3, 2018, our cash and cash equivalents increased by \$18.8 million to \$24.8 million. This increase was primarily attributable to cash provided by operating activities, partially offset by treasury stock purchases, capital expenditures and dividend payments.

For fiscal 2018, we currently estimate our cash outlays for capital expenditures to range between \$80 million and \$90 million, net of up-front cash landlord construction contributions and excluding \$9.2 million of expected non-capitalizable preopening costs for new restaurants. The amount reflected as additions to property and equipment in the condensed consolidated statements of cash flows may vary from this estimate based on the accounting treatment of each lease. Our estimate for capital expenditures for fiscal 2018 contemplates a net outlay of \$27 million to \$32 million for as many as four to six Company-owned restaurants expected to be opened during fiscal 2018. Expected fiscal 2018 capital expenditures also include \$36 million to \$40 million for replacements, enhancements and capacity additions to our existing restaurants and \$17 million to \$18 million for bakery and corporate infrastructure investments, including an infrastructure upgrade of our California bakery.

We have a strategic relationship with Fox Restaurant Concepts LLC (“FRC”) with respect to two of its brands, North Italia and Flower Child, that share a number of parallels with us in terms of culture and philosophy, and that we believe have significant opportunity for growth. FRC, or its affiliates, continues to own the intellectual property, manage day-to-day operations and provide infrastructure support to facilitate the near-term growth of both of these concepts. We made initial minority equity investments of \$42 million in these concepts during fiscal 2016 and will provide ongoing growth capital over time, including \$18 million invested during fiscal 2017. We are obligated to provide up to an additional \$24 million in combined growth capital to North Italia and Flower Child and have the right, and an obligation if certain financial, legal and operational conditions are met, to acquire the remaining interest in one or both of these concepts in fiscal 2019 and 2021, respectively. These transactions are not expected to have a material impact on our financial performance over the next several years, and we do not anticipate that we will need to incur debt to fund our ongoing growth capital commitments during the investment period. Should we ultimately acquire one or both concepts, we would evaluate the appropriate capital structure at that time.

We maintain a \$200 million unsecured revolving credit facility (“Facility”), \$50 million of which may be used for issuances of letters of credit. Availability under the Facility is reduced by outstanding letters of credit, which are used to support our self-insurance programs. The Facility, which matures on December 22, 2020, contains a commitment increase feature that could provide for an additional \$100 million in available credit upon our request and subject to the participating lenders electing to increase their commitments or by means of the addition of new lenders. Certain of our material subsidiaries guarantee our obligations under the Facility. During the first quarter of fiscal 2018, we utilized the Facility to fund a portion of our stock repurchases. At April 3, 2018, we had net availability for borrowings of \$149.3 million, based on a \$30.0 million outstanding debt balance and \$20.7 million in standby letters of credit. The Facility limits cash distributions with respect to our equity interests, such as cash dividends and share repurchases, based on a defined ratio. As of April 3, 2018, we were in compliance with the covenants set forth in the Facility. (See Note 4 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our long-term debt.)

In fiscal 2012, our Board approved the initiation of a cash dividend to our stockholders, which is subject to quarterly Board approval. Cash dividends have been declared during every quarter since initiation. 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 our Facility and other such factors that the Board considers relevant.

On July 21, 2016, our Board increased the authorization to repurchase our common stock by 7.5 million shares to 56.0 million shares. Under this and all previous authorizations, we have cumulatively repurchased 50.3 million shares at a total cost of \$1,567.8 million through April 3, 2018, including 0.7 million shares at a cost of \$34.9 million repurchased during the first quarter of fiscal 2018. Our share repurchase authorization 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. We make the determination to repurchase shares based on several factors, including an evaluation of current and future capital needs associated with new restaurant development, current and forecasted cash flows, including dividend payments and growth capital contributions to North Italia and Flower Child, a review of our capital structure and cost of capital, our share price and current market conditions. The timing and number of shares repurchased are also subject to legal constraints and financial covenants under our Facility that limit share repurchases based on a defined ratio. (See Note 4 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our long-term debt.) Our objectives with regard to share repurchases are to offset the dilution to our shares outstanding that results from equity compensation grants and to supplement our earnings per share growth. (See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our repurchase authorization and methods.)

[Table of Contents](#)

Based on our current expansion objectives, we believe that during the upcoming 12 months our cash and cash equivalents, combined with expected cash flows provided by operations, available borrowings under our Facility and expected landlord construction contributions should be sufficient in the aggregate to finance our capital allocation strategy, including capital expenditures, share repurchases, cash dividends and growth capital contributions to North Italia and Flower Child, and allow us to consider additional possible capital allocation strategies, such as developing or acquiring other growth vehicles. We continue to plan to return substantially all of our free cash flow plus proceeds received from staff member stock option exercises to stockholders in the form of dividends and share repurchases.

As of April 3, 2018, we had no financing transactions, arrangements or other relationships with any unconsolidated entities or related parties other than our arrangement with FRC. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

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. 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 the commodities purchased by us can be subject to volatility due to market supply and demand factors outside of our control. Substantially all of our ingredients and supplies are available from multiple qualified suppliers, which helps mitigate our risk of commodity availability and obtain competitive prices. We negotiate short-term and long-term agreements for some of our principal commodity, supply and equipment requirements, such as certain dairy products and chicken, depending on market conditions and expected demand. We continue to evaluate the possibility of entering into similar arrangement for additional commodities. However, we are currently unable to contract directly for extended periods of time for certain of our commodities such as certain produce items, wild-caught fresh fish and certain dairy products. We also periodically evaluate hedging vehicles, such as direct financial instruments, to assist us in managing our risk and variability in these categories. Although these vehicles and markets may be available to us, we may choose not to enter into contracts due to pricing volatility, excessive risk premiums, hedge inefficiencies or other factors. Where we have not entered into long-term contracts, commodities can be subject to unforeseen supply and cost fluctuations, which at times may be significant. For each of the thirteen weeks ended April 3, 2018 and April 4, 2017, a hypothetical increase of 1% in food costs would have negatively impacted cost of sales by \$1.4 million, and \$1.3 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 our Facility that is indexed to market rates. Based on outstanding borrowings at April 3, 2018 and January 2, 2018, a hypothetical 1% rise in interest rates would have increased interest expense by \$300,000 and \$100,000, respectively, on an annual basis. (See Note 4 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 Executive Savings Plan, a non-qualified 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, the full impact of gains or losses directly affects net income. Based on balances at April 3, 2018 and January 2, 2018, 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 scenario, net income would have declined by \$2.5 million at April 3, 2018 and \$2.5 million at January 2, 2018.

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 material information relating to the Company and our subsidiaries 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 April 3, 2018.

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 April 3, 2018 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 5 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 January 2, 2018 (“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.

There have been no material changes in our risk factors since the filing of our Annual Report.

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

The following table presents our purchases of our common stock during the thirteen weeks ended April 3, 2018 (in thousands, except per share data):

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 3 — February 6, 2018	201	\$ 48.62	201	6,261
February 7 — March 6, 2018	301	47.09	233	5,960
March 7 — April 3, 2018	226	48.55	204	5,734
Total	<u>728</u>		<u>638</u>	

(1) The total number of shares purchased includes 90,001 shares withheld upon vesting of restricted share awards to satisfy tax withholding obligations.

On July 21, 2016, our Board increased the authorization to repurchase our common stock by 7.5 million shares to 56.0 million shares. Under this and all previous authorizations, we have cumulatively repurchased 50.3 million shares at a total cost of \$1,567.8 million through April 3, 2018, including 0.7 million shares at a cost of \$34.9 million during the first quarter of fiscal 2018. Our share repurchase authorization 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. (See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our repurchase authorization and methods.)

Our Facility limits cash distributions with respect to our equity interests, such as cash dividends and share repurchases, based on a defined ratio. (See Note 4 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of our long-term debt.)

[Table of Contents](#)

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Item</u>	<u>Form</u>	<u>File Number</u>	<u>Incorporated by Reference from Exhibit Number</u>	<u>Filed with SEC</u>
10.1	First Amendment to Employment Agreement between The Cheesecake Factory Incorporated and David M. Overton effective as of April 1, 2018*	8-K	000-20574	99.2	2/21/18
10.2	First Amendment to The Cheesecake Factory Incorporated Executive Savings Plan As Amended and Restated November 7, 2016*	10-K	000-20574	10.11.1	2/28/18
10.3	Form of Notice of Grant and Stock Option Agreement and/or Restricted Share Agreement for MEP I under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.1	2/28/18
10.4	Form of Notice of Grant and Stock Option Agreement and/or Restricted Share Agreement for MEP II under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.2	2/28/18
10.5	Form of Notice of Grant and Stock Option Agreement and/or Restricted Share Agreement for MEP III under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.3	2/28/18
10.6	Form of Notice of Grant and Stock Option Agreement and/or Restricted Share Agreement for MEP IV under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.4	2/28/18
10.7	Form of Notice of Grant and Stock Option Agreement and/or Restricted Share Agreement for MEP V under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.5	2/28/18
10.8	Form of Standard Notice of Grant and Restricted Share Agreement I under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	10-K	000-20574	10.24.6	2/28/18
10.9	Form of Notice of Grant and Share Option Agreement and/or Restricted Share Agreement for Senior Executive under the 2010 Stock Incentive Plan, for equity grants made after February 15, 2018*	8-K	000-20574	99.3	2/21/2018
10.10	Employment Agreement between The Cheesecake Factory Incorporated and Scarlett May effective as of May 14, 2018 *	—	—	—	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer	—	—	—	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer	—	—	—	Filed herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Executive Officer**	—	—	—	Filed herewith

[Table of Contents](#)

32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Financial Officer**	—	—	—	Filed herewith
101	XBRL (Extensible Business Reporting Language) The following materials from The Cheesecake Factory Incorporated’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2018, formatted in Extensive Business Reporting Language (XBRL), (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

* Management contract or compensatory plan or arrangement required to be filed as an exhibit.

** A certification furnished pursuant to Item 601(b)(2) of Regulations S-K will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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: May 11, 2018

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)

By: /s/ CHERYL M. SLOMANN
Cheryl M. Slomann
Senior Vice President, Finance and Corporate Controller
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “**Agreement**”) is entered into and effective as of this 14th day of **May, 2018** (the “**Effective Date**”), between **THE CHEESECAKE FACTORY INCORPORATED**, a Delaware corporation (the “**Company**”), and **Scarlett May** (the “**Executive**”).

WHEREAS, the Compensation Committee (the “**Compensation Committee**”) of the Board of Directors (the “**Board**”) of the Company has approved and recommended to the Board that the Company enter into this Agreement with the Executive;

WHEREAS, the Board has approved and authorized the entry into this Agreement with the Executive;

WHEREAS, all capitalized terms used herein shall have the meaning set forth in Section 9 of this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and the Executive hereby agree as follows:

1. Employment.

As of the Effective Date, the Executive shall be employed as the Executive Vice President, General Counsel and Secretary of the Company. In such capacity, the Executive shall have such duties and responsibilities to the Company and its Affiliates as may be designated to the Executive by the Board or the Company’s Chief Executive Officer (the “CEO”) from time to time and as are not inconsistent with the Executive’s position. The Executive shall devote substantially all the Executive’s working time, attention and energies to the business and affairs of the Company and the Company’s Affiliates. The Executive shall report directly to the CEO. While employed by the Company during the Term of this Agreement, without the prior written approval of the CEO, the Executive shall not serve as the member of the board of directors of any other for-profit corporation or as the manager of any limited liability company or as a member of the board of directors or trustees of any non-profit or charitable organization; *provided, however*, that the Executive may serve as a member of the board of directors of The Cheesecake Factory Oscar and Evelyn Overton Foundation (the “**Foundation**”); and *provided further* that notwithstanding the approval of the CEO of such service, the time and attention the Executive provides to such corporation, limited liability company or organization, including the Foundation, shall not interfere with the working time, attention and energies the Executive is required to devote to the business and affairs of the Company and its Affiliates. The Executive’s offices shall be at the corporate headquarters of the Company, currently located in Calabasas Hills, California, and the Executive shall, when not traveling on the Company’s business, work at such corporate offices.

2. Term of this Agreement. The “**Term of this Agreement**” shall mean the period commencing on the Effective Date and ending on March 31, 2020. On March 31, 2020, and on each subsequent annual anniversary date thereof, the Term of this Agreement shall be automatically extended for one additional year unless, at least ninety (90) days prior to any such date, either the Company or the Executive shall give written notice to the other party in accordance with Section 18 to not extend this Agreement (in which case this Agreement shall terminate no later than as of such date). “The Term of this Agreement” or “Term” shall mean, for purposes of this Agreement, such initial term and subsequent extensions, if any. Upon any expiration of the Term of this Agreement in which such Term is not being extended, the employment of the Executive may thereafter continue on an at-will basis subject to the ability of either party to terminate such employment relationship at any time.

3. Salary and Other Compensation.

(a) Salary. Subject to the further provisions of this Agreement, the Company shall pay the Executive during the Term of this Agreement a base salary at an annual rate during the Term equal to **\$475,000**, with such salary to be adjusted at such times, if any, and in such amounts as determined by the Compensation Committee (the “**Annual Salary**”); *provided, however*, that the Executive’s Annual Salary shall not be decreased without the Executive’s prior written consent unless the annual salaries of all other Executive Officers are proportionately decreased. Any increase in the Annual Salary shall not serve to limit or reduce any other benefit or obligation of the Company hereunder. The Company shall pay the Annual Salary to the Executive, in equal installments, not less frequently than monthly, in accordance with the Company’s standard payroll practices for employees who are Executive Officers of the Company. The Executive’s participation in any deferred compensation, discretionary and/or performance bonus, retirement, stock option and/or other employee benefit plans and in fringe benefits shall not reduce the Executive’s Annual Salary.

(b) Relocation and other Expense and Lost Compensation Reimbursements. The Company shall reimburse Executive for (i) reasonable temporary accommodations in the Calabasas Hills, California area while Executive seeks permanent housing arrangements, not to exceed a period of three months (except as provided in clause (x) of this subsection (b) below), (ii) up to two trips from the Dallas, TX area to the Los Angeles Metropolitan Area for Executive and her spouse to search for local housing, (iii) travel expenses for Executive and her family to relocate from Dallas, TX to the greater Los Angeles Metropolitan area, (iv) and household moving expenses to relocate her household from Dallas, TX to the greater Los Angeles Metropolitan area, all in accordance with the Company’s policies for travel, relocation, and housing reimbursement expenses for Executives. In addition, Company shall pay to Executive a total of Two Hundred Nineteen Thousand Dollars (\$219,000) allocated (x) Thirty Thousand Dollars (\$30,000) to reimburse Executive for actual expenses incurred in connection with cancellation of private schooling contracts in Dallas, TX, grossed up for applicable taxes and withholdings provided, however, if Executive does not incur such expenses, the Company shall instead reimburse Executive for up to three additional months of temporary housing, and (y) One Hundred Eighty Nine Thousand Dollars (\$189,000) to reimburse Executive for forfeited bonus amounts attributable to termination of her prior employment, subject to applicable taxes and withholdings; provided, however, if Executive voluntarily terminates employment with the Company prior to May 13, 2021 (other than due to Constructive Termination), Executive agrees to reimburse the Company an amount equal to Two Hundred Nineteen Thousand Dollars (\$219,000) multiplied by a fraction, the numerator of which is 36 minus the number of full or partial calendar months of employment completed with the Company as of the Date of Termination and the denominator of which is 36.

(c) Eligibility under 2010 Stock Plan. Following the Effective Date, the Executive shall be granted stock options and restricted shares of the Company's stock in accordance with the terms and conditions of The Cheesecake Factory Incorporated 2010 Omnibus Stock Incentive Plan ("2010 Stock Plan") as and when approved by the Compensation Committee of the Company's Board of Directors, and subject to stock retention requirements applicable to other Executive Vice Presidents of the Company, the Notice of Grant and Agreement granting such equity awards to Executives, and all other terms and conditions of the 2010 Stock Plan. Executive also shall be eligible for consideration for future equity awards, in accordance with the terms and conditions of the 2010 Stock Plan, as such plan may be modified or amended from time to time, or such other or additional equity programs as may be established by the Company from time to time for its Executive Officers. The Compensation Committee shall determine the number of awards, vesting schedule, and other requirements applicable to such awards, if any are granted, under the Company's equity compensation plans.

4. Participation in Bonus, Retirement and Employee Benefit Plans. While employed by the Company during the Term of this Agreement, the Executive shall be entitled to participate with other Executive Officers in any plan of the Company relating to any bonus award program (prorated as of the Effective Date), equity award program, pension, profit sharing, life insurance, disability income insurance, medical coverage, education, automobile allowance or leasing, or other retirement, deferred compensation, or employee benefits that the Company has adopted or may adopt for the benefit of all other Executive Officers, if any, to the extent eligible thereunder by virtue of the Executive's position, tenure and Annual Salary. The Compensation Committee shall determine the amount, timing, vesting and other requirements of awards, if any, under the Company's bonus, equity compensation, retirement and other compensation plans.

5. Health Insurance Premiums; Fringe Benefits. While employed by the Company during the Term of this Agreement, the Company shall pay the Executive's portion of any premium for medical, dental and vision care insurance with respect to the Executive and the Executive's dependents under the Company's employee medical insurance policies to the extent provided to all other Executive Officers and based upon the most comprehensive medical, dental and vision insurance plan offered to all other Executive Officers. While employed by the Company during the Term of this Agreement, the Executive shall be eligible to participate in any automobile leasing or car allowance program maintained by the Company for all other Executive Officers in accordance with the Company's policies and procedures for the program and at a level established for Executive Vice Presidents of the Company and subject to all applicable taxes and withholdings. In addition and while employed by the Company during the Term of this Agreement, the Executive shall be entitled to receive all other fringe benefits that are now or may be hereafter provided to all other Executive Officers. The Company shall appropriately adjust such fringe benefits to the extent that the level or amount of any fringe benefit is based upon seniority or compensation levels.

6. Paid Vacation. While employed by the Company during the Term of this Agreement, the Executive shall be entitled to an annual paid vacation in accordance with the Company's general administrative policy for all other Executive Officers but in no event less than the greater of (x) the amount of paid vacation time provided to other Executive Officers who have been employed by the Company for a commensurate period of time as the Executive or (y) three weeks per year.

7. Business Expenses. While employed by the Company during the Term of this Agreement, the Executive shall be entitled to incur and be reimbursed for all reasonable business expenses. The Company shall reimburse the Executive for all these expenses provided the Executive provides, from time to time, of an itemized account of such expenditures setting forth the date, the purposes for which incurred, and the amounts thereof, together with such receipts showing payments in conformity with the Company's established policies and procedures.

8. Indemnity. To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, the Company shall indemnify and hold the Executive harmless from any cost, expense or liability arising out of or relating to any acts or decisions made by the Executive on behalf of or in the course of performing services for the Company to the same extent and upon terms no less favorable than those upon which the Company indemnifies and holds harmless other Executive Officers and in accordance with the Company's established policies. The indemnification provided by this Section 8 shall not be deemed exclusive of any other rights to which the Executive may be entitled under the Company's certificate of incorporation, any Company maintained liability insurance (in accordance with the coverage, if any, provided by such insurance), any bylaw, agreement, contract, vote of the stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise.

9. Certain Terms Defined. For purposes of this Agreement, the following terms have the below meanings:

(b) **"Accrued Benefits"** shall mean collectively, as of the Termination Date, the following: (i) all then unpaid Annual Salary and unpaid accrued vacation, paid time off, and sick pay, (ii) any payments or benefits to which the Executive is entitled under the express terms of any applicable Company employee benefit plan and with payment being made pursuant to the terms of the applicable plan or agreement and (iii) in accordance with Section 7, any unreimbursed valid business expenses for which the Executive has properly submitted (or will timely submit) documented reimbursement requests.

(c) **"Affiliate"** shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the person specified.

(d) **"Awards"** shall mean any stock options, stock appreciation rights, restricted stock, and/or stock units granted to the Executive under any employee equity compensation plan, and/or any performance units, performance shares, or so called "phantom" equity granted to the Executive.

(e) “**Base Salary**” means, as of the Termination Date, the highest Annual Salary of the Executive in any of the last three fiscal years (or portion thereof) preceding such Termination Date.

(f) “**Beneficial Owner**” shall have the meaning given to such term in the Exchange Act and the rules and regulations thereunder.

(g) A “**Change in Control**” occurs if:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding voting securities (“**Voting Securities**”); or

(ii) a merger or consolidation of the Company with any other corporation (or other entity), other than:

(1) a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person acquires more than 20% of the combined voting power of the Company’s then outstanding Voting Securities; or

(3) a merger or consolidation which would result in the directors of the Company (who were directors immediately prior thereto) continuing to constitute at least 50% of all directors of the surviving entity after such merger or consolidation. The term, “surviving entity” shall mean only an entity in which all the Company’s stockholders immediately before such merger or consolidation (determined without taking into account any stockholders properly exercising appraisal or similar rights) become stockholders by the terms of such merger or consolidation, and the phrase “directors of the Company (who were directors immediately prior thereto)” shall include only individuals who were directors of the Company at the beginning of the 24 consecutive month period preceding the date of such merger or consolidation.

(iii) the consummation of a complete liquidation or sale or disposition of all or substantially all of the Company’s assets; or

(iv) during any period of 24 consecutive months, individuals, who at the beginning of such period constitute the Board, and any new director whose election by the Board, or whose nomination for election by the Company’s stockholders, was approved by a vote of at least one-half (1/2) of the directors then in office (other than in connection with a contested election), cease for any reason to constitute at least a majority of the Board.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Constructive Termination" means, subject to the Executive providing the Notice of Termination and the Company's failure to cure as described below, the occurrence of one or more of the following events without the Executive's written consent: (i) a relocation of the Executive's principal business office to a location which is in excess of a forty-five (45) mile-radius from the Executive's principal business office as of the Effective Date; or (ii) a material diminution in the Executive's title, authority, duties or responsibilities relative to the Executive's title, authority, duties or responsibilities in effect immediately prior to such reduction; or (iii) a decrease in the Executive's Annual Salary or a material diminution in and/or discontinuation of any benefit plan or program, or level of participation in any such plan or program, from that in which the Executive is currently participating, which decrease or discontinuation does not apply to all Executive Officers, or a failure to include the Executive in any new benefit plan or program offered to all other Executive Officers; or (iv) upon a Change in Control, if (1) all or any portion of Executive's Awards are not assumed by the surviving entity and (2) the Executive's Awards that are not assumed are not fully accelerated and exercisable as of immediately before the consummation of the Change in Control. For purposes of this Agreement, the Executive may resign the Executive's employment from the Company due to the Constructive Termination within one hundred (100) days after the date that any of the events shown above in clauses (i) through (iv) has first occurred without the Executive's written consent. Failure to timely resign employment means that the Executive will be deemed to have consented to and irrevocably waived the potential Constructive Termination event (but not any other subsequent Constructive Termination event). The Executive's resignation due to a Constructive Termination event can only be effective if the Company has not cured or remedied the Constructive Termination event within thirty (30) days after its receipt of a Notice of Termination from the Executive stating the Executive's belief that a Constructive Termination event exists. Such Notice of Termination must be provided to the Company within sixty (60) days of the purported Constructive Termination event and shall describe in detail the basis and underlying facts supporting the Executive's belief that a Constructive Termination event has occurred. Failure to timely provide such Notice of Termination to the Company means that the Executive will be deemed to have consented to and irrevocably waived the potential Constructive Termination event. If the Company does timely cure or remedy the Constructive Termination event, then the Executive may either resign employment without it being due to a Constructive Termination or the Executive may continue to remain employed subject to the terms of this Agreement. The Company's receipt of a notification by the Executive of a Constructive Termination shall not be deemed to constitute the Company's acknowledgement, agreement or admission that a Constructive Termination has occurred.

(i) "Date of Termination" means the projected Termination Date that is specified in a Notice of Termination. The Date of Termination is the date of actual receipt of a Notice of Termination given under Section 18 below or any later date specified therein (but not more than fifteen (15) days after the giving of the Notice of Termination except that it may be thirty (30) days in the case of a Constructive Termination), as the case may be; provided that (i) if the Executive's employment is terminated by the Company for any reason other than because of the Executive's death or as a result of the Executive sustaining a Permanent Disability, the Date of Termination is the date on which the Company gives notice to the Executive of such termination; (ii) if the Executive's employment is terminated due to Permanent Disability, the Date of Termination is the date of actual receipt of a Notice of Termination; and (iii) if the Executive's employment is terminated due to the Executive's death, the Date of Termination (and the Termination Date) shall be the date of the Executive's death.

(j) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(k) **“Executive Officer”** means a person who has been elected or appointed by the Board to serve as a President or Executive Vice President of the Company and who is still serving in such role.

(l) **“Notice of Termination”** means a written notice provided in accordance with Section 18 that (i) indicates the specific termination provision in this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated; and (iii) specifies a Date of Termination.

(m) **“Person”** is given the meaning as such term is used in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that unless this Agreement provides to the contrary, the term shall not include the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(n) **“Permanent Disability”** shall mean a physical or mental condition that occurs and persists and which, in the written opinion of a licensed physician specializing in the applicable condition and selected or approved by the Board in good faith, has rendered the Executive unable to perform the Executive’s duties hereunder, with or without reasonable accommodation, for a period of ninety (90) consecutive days or more, or a period of ninety (90) non-consecutive days in any one year period, and, in the written opinion of such physician, the condition will continue for an indefinite period of not less than an additional ninety (90) day period, rendering the Executive unable to return to the Executive’s duties on a full time basis.

(o) **“Regulations”** means the official Treasury Department interpretation of the Internal Revenue Code.

(p) **“Separation from Service”** means a separation from service as that term is used in Code Section 409A and the Regulations thereunder.

(q) “**Specified Employee**” means a specified employee as that term is used in Code Section 409A and the Regulations thereunder.

(r) “**Termination Date**” means the last date of Executive’s employment with the Company and any Company Affiliate.

(s) “**Termination With Cause**” means a termination of the Executive’s employment by the Company upon: (i) the failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), after there has been delivered to the Executive a written notice of failure to perform from the Company, which notice specifically identifies the basis for the Company’s belief that the Executive has not substantially performed the Executive’s duties; *provided, however*, with respect to only nonmaterial breaches of the Executive’s duties, the Executive’s failure to perform such duties shall not be deemed to constitute an event described in this clause (i) unless such failure continues uncured for thirty (30) days after delivery to the Executive of written notice thereof from the Company, which notice specifically identifies the basis for the Company’s belief that such failure to perform has occurred; (ii) incompetence or gross negligence committed by the Executive in the discharge of the Executive’s duties; (iii) the Executive’s commission of any dishonesty, act of theft, embezzlement, or fraud; (iv) the Executive’s breach of confidentiality in violation of law or of the Company’s policies and procedures applicable to Executive Officers; (v) the Executive’s unauthorized disclosure or use of inside or proprietary information, recipes, processes, customer or employee lists or trade secrets of the Company in violation of law or of the Company’s policies and procedures applicable to Executive Officers; (vi) the Executive’s willful or material violation of any law, rule or regulation of any governing authority; (vii) the Executive’s willful or material violation of the Company’s policies and procedures applicable to Executive Officers, including, without limitation, the Company’s Code of Ethics and Code of Conduct applicable to Executive Officers; (viii) the Executive’s intentional conduct that is injurious to the reputation, business or assets of the Company; or (ix) except as may be permitted under Section 17 below, the Executive’s solicitation of the Company’s consultants or employees to work for any business other than the Company or its Affiliates during the Term of this Agreement without the knowledge and consent of the CEO.

(t) “**Termination Without Cause**” means a termination of the Executive’s employment by the Company for any reason other than death, Permanent Disability or a Termination With Cause.

(u) “**Triggering Event**” shall have the meaning given such term in Section 11(a) below.

10. Termination of Employment.

(b) Death or Permanent Disability. The Executive’s employment with the Company shall terminate automatically upon the Executive’s death or upon either the Executive or the Company providing a Notice of Termination to the other party in the event that the Executive has sustained a Permanent Disability.

(c) Termination With Cause. The Company may, with a Notice of Termination, terminate the Executive's employment with the Company at any time upon the occurrence of any event that would permit a Termination With Cause.

(d) Constructive Termination. The Executive may provide the Notice of Termination to terminate the Executive's employment as a result of Constructive Termination at any time within one hundred (100) days after the initial occurrence of the applicable Constructive Termination event.

(e) Termination Without Cause. The Company may terminate the Executive's employment without cause at any time upon delivery to the Executive of a Notice of Termination, and the Executive may resign from the Executive's employment without reason by delivering a Notice of Termination to the Company.

(f) Notice of Termination. Any termination of the Executive's employment by the Company With Cause or Termination Without Cause, or any termination of the Executive's employment by the Executive following a Constructive Termination or by resignation, shall be communicated by a Notice of Termination to the other party, given in accordance with Section 18. A Notice of Termination by the Company shall be signed by the CEO or any other officer of the Company designated by the Board. Any termination due to Permanent Disability shall also be effected by a Notice of Termination given by the Company or the Executive in accordance with Section 18.

11. Certain Benefits Upon Termination of Employment. As of the Termination Date for any termination of the Executive's employment, the Executive shall be entitled to timely receive the Accrued Benefits. As set forth in this Agreement, the Executive may also be eligible to receive the payments and benefits provided by subsections 11(a) and 11(b).

(b) If, during the Term of this Agreement,

(i) the Company terminates the Executive's employment for any reason other than for Termination With Cause; or

(ii) a Change in Control occurs and within 18 months thereafter (whether or not the Term of this Agreement has ended without renewal during such 18 month period):

(A) the Company terminates the Executive's employment for any reason other than for a Termination With Cause; or

(B) a Constructive Termination occurs and the Executive terminates employment with the Company within one hundred (100) days thereafter; or

(iii) the Executive terminates employment with the Company at any time within one hundred (100) days of the occurrence of a Constructive Termination (and provided that the Company has failed to cure the event or existence of the condition giving rise to a Constructive Termination within the thirty (30) day cure period provided under Section 9(h)); or

(iv) a termination of employment occurs by reason of the Executive's death or Permanent Disability

(each of which events described in clauses (i)-(iv) above herein described as a "Triggering Event"), then the following shall apply:

(I) the Company shall pay the Executive a "Severance Payment" in cash equal to one (1) times the Executive's Base Salary. Subject to Section 25, the Company shall provide the Severance Payment over a one year period, on a bi-weekly basis commencing as of the Termination Date, provided that the Company may delay payment in the case of the Executive's death until the Executive's executor or personal representative has been appointed and qualified pursuant to the laws in effect in the Executive's jurisdiction of residence at the time of the Executive's death (with any such delay effected in a manner that complies with Code Section 409A);

(II) the Company shall pay or provide to the Executive all other benefits, as specified in Section 11(b) below;

(III) all installments of the Executive's Awards that are held by the Executive and scheduled to vest, or to become exercisable, or to be subject to lapse of restrictions, at any time within twenty-four (24) months after the Termination Date shall become exercisable, and vest, and any restriction shall lapse, as of the Termination Date, subject in each case to expiration or termination as set forth in the applicable Award plan or agreement; *provided, however*, that any vesting, exercisability or lapse of restriction on any Award which is contingent upon satisfaction of a Company performance-based condition or performance goal under the Award shall continue to be subject to such performance-based condition or performance goal and will only be deemed satisfied and vested if and when (if ever) such Company performance-based condition or performance goal is actually achieved pursuant to the Award's terms; and

(IV) the Company shall pay the Executive a performance achievement bonus under the Company's Annual Performance Incentive Plan (or any bonus plan for Executive Officers that is in addition to or in lieu of such plan) that is proportionately adjusted to take into account the period of actual service of the Executive during the Company's fiscal year in which the Executive's employment is terminated, *provided* that the Compensation Committee certifies in writing that the performance incentive target for that fiscal year has been achieved and such payment is not inconsistent with Section 162(m) of the Code and the Regulations thereunder. The timing and payment of any performance achievement bonus to which the Executive is entitled pursuant to this Section 11(a)(IV) shall be determined as set forth in the Company's Annual Performance Incentive Plan or such other bonus plan in which the Executive participated.

(c) If a Triggering Event occurs, then the Company shall provide the following additional benefits to the Executive. For a 12 month period after the Termination Date (the “**Continuation Period**”), the Company shall, at its expense, continue on behalf of the Executive and the Executive’s dependents (who were being covered under the following plans as of the Termination Date), medical, dental, vision care and hospitalization benefits (or such comparable alternative benefits determined by the Company, in its discretion) that (i) were provided to Executive at any time during the 90-day period prior to the Termination Date, or (ii) if the Termination Date is within 18 months of a Change in Control, were provided to Executive prior to such Change in Control (provided the level of such benefits shall in no event be lower than the Executive’s level of benefits on the Termination Date). The Company’s obligation hereunder with respect to benefits under this Section 11(b) shall be limited to the extent that the Executive obtains any such benefits pursuant to the Executive’s subsequent employer’s benefit plans, if any, in which case the Company may reduce the coverage of any benefits it is required to provide the Executive under this Section 11(b) so long as the aggregate coverages and benefits of the combined benefit plans are no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This Section 11(b) shall not be interpreted so as to limit any benefits to which the Executive or the Executive’s dependents may be entitled under any of the Company’s other employee benefit plans, programs or practices following a termination of employment, including without limitation, except as provided in this Section, retiree medical and life insurance benefits. Notwithstanding the foregoing, if the Company determines that the payment of foregoing additional benefits would result in a violation of the nondiscrimination rules of Code Section 105(h)(2) or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of providing such Company-paid benefits, the Company, in its sole discretion, may elect to instead pay the Executive on the first day of each month of the Continuation Period, a fully taxable cash payment equal to both the Executive’s and the Company’s portions of the benefits premiums for that month, subject to applicable tax withholdings, for the remainder of the Continuation Period. Retiree medical and life insurance benefits shall be limited by and be designed to either (I) be exempt from Code Section 409A or (II) be compliant with the requirements of Regulations Section 1.409A.

(d) In the event that the Executive’s employment terminates by reason of the Executive’s death (or the Executive dies after a Triggering Event), the applicable Severance Payment and other benefits provided in this Section 11 shall be paid to the Executive’s estate or as the Executive’s executor shall direct.

(e) In the event the Executive is entitled hereunder to any payments or benefits set forth in this Section 11, the Executive shall have no obligation or duty to mitigate.

(f) The provisions for Severance Payment and other benefits contained in this Section 11 may be triggered only once during the Term of this Agreement. In addition, the Executive shall not be entitled to receive severance benefits of any kind from any Affiliate of the Company if, in connection with the same event or series of events, the Severance Payment and other benefits provided for in this Section 11 previously have been paid or the Executive is entitled to receive such Section 11 Severance Payment and other benefits.

(g) Except in the case of a Termination With Cause, with respect to the Executive's vested Awards which either were vested prior to the Termination Date, or for which vesting is accelerated as a result of a Triggering Event under this Agreement, the Executive (or the Executive's estate, if termination of employment occurs as a result of death or the Executive dies after a Triggering Event) shall have the right to exercise such vested Awards for a period of 24 months from the later of (i) the date of Separation from Service or (ii) if vesting of such Award is Company performance-based, the date of vesting or lapse of restriction on such Award due to Company achievement of such performance (subject in all cases to the earlier expiration or termination of the applicable Award); *provided, however*, if termination of employment occurs as a result of retirement, and the Executive has completed at least twenty (20) continuous years of service as of the Termination Date, the Executive (or the Executive's estate) shall have the right to exercise such Awards for a period of thirty-six (36) months. The rights of the Executive under this [Section 11](#) shall not be exclusive of any other rights to which the Executive may be entitled under any bonus, retirement, Award, or employee benefit plan of the Company.

12. [Code Section 280G.](#)

(b) [Best After-Tax.](#) In the event that it is determined that any payment or distribution of any type to or for the benefit of the Executive (whether under this Agreement or otherwise) made by the Company, by any of its Affiliates, by any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Code and the regulations thereunder) or by any Affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "**Total Payments**"), would either be subject to the excise tax imposed by Section 4999 of the Code (or nondeductible by the Company under Code Section 280G) or any interest or penalties with respect to such excise tax (such excise tax or nondeductibility, together with any such interest or penalties, are collectively referred to as the "**Excise Tax**"), then such payments or distributions shall be payable either in (x) full or (y) as to such lesser amount which would result in no portion of such payments or distributions being subject to the Excise Tax, and the Executive shall receive the greater, on an after-tax basis, of (x) or (y).

(c) [Reduction.](#) If a reduction in the Total Payments constituting "parachute payments" is necessary so that no portion of such Total Payments is subject to the Excise Tax, then the reduction shall occur in a manner to maximize the Executive's after-tax retained value and if necessary to comply with Code Section 409A shall be effected in the following order: (1) reduction of cash payments for which the full amount is treated as a parachute payment; (2) cancellation of accelerated vesting (or, if necessary, payment) of cash awards for which the full amount is not treated as a parachute payment; (3) cancellation of any accelerated vesting of Awards; and (4) reduction of any continued employee benefits. In selecting the Awards (if any) for which vesting will be reduced under clause (3) of the preceding sentence, awards shall be selected in a manner that maximizes the after-tax aggregate amount of Total Payments provided to the Executive, provided that if (and only if) necessary in order to avoid the imposition of an additional tax under Section 409A of the Code, awards instead shall be selected in the reverse order of the date of grant. For the avoidance of doubt, for purposes of measuring an Award's value to the Executive when performing the foregoing comparison between (x) and (y), such Award's value shall equal the then aggregate fair market value of the vested shares underlying the Award less any aggregate exercise price less applicable taxes. Also, if two or more Awards are granted on the same date, each Award will be reduced on a pro-rata basis, giving effect to maximizing the after-tax aggregate amount of Total Payments to Executive as required above. In no event shall the Executive have any discretion with respect to the ordering of payment reductions. In no event will the Company be required to gross up any payment or benefit to the Executive to avoid the effects of the Excise Tax or to pay any regular or excise taxes arising from the application of the Excise Tax.

(d) Computations. All mathematical determinations and all determinations of whether any of the Total Payments are “parachute payments” (within the meaning of Section 280G of the Code) that are required to be made under this Section 12, shall be made by a nationally recognized independent audit firm selected by the Company (the “Accountants”), who shall provide their determination, together with detailed supporting calculations regarding the amount of any relevant matters, both to the Company and to the Executive. Notwithstanding the foregoing, the Accountants shall not be an audit firm that is rendering services as an auditor or in any other accounting or audit capacity to the entity (or entities) that is acquiring the Company in the relevant transaction that is triggering the Code Section 280G analysis under this Section 12. Determinations shall be made by the Accountants using reasonable good faith interpretations of the Code. As expressly permitted by Q/A #32 of the Code Section 280G regulations, with respect to performing any present value calculations that are required in connection with this section, the Executive and the Company each affirmatively elect to utilize the Applicable Federal Rates (“**AFR**”) that are in effect as of the Effective Date, and the Accountants shall therefore use such AFRs in their determinations and calculations. The Company shall pay the fees and costs of the Accountants which are incurred in connection with this section.

13. Assignment.

(b) This Agreement is personal to each of the parties hereto. No party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto, except that this Agreement shall be binding upon and inure to the benefit of any successor entity to the Company.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. No such assumption shall release the Company of its obligations hereunder; it being intended that the Company shall remain liable for all of its obligations hereunder after the assumption by such successor. As used in this Agreement, “Company” shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes this Agreement by contract, operation of law, or otherwise including without limitation, any surviving entity resulting from a Change in Control, and any Person acquiring 50% or more of the Voting Securities.

(d) This Agreement shall inure to the benefit of and be enforceable by the Executive and the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

14. Confidential Information. During the Term of this Agreement and thereafter, the Executive shall not, except as may be required to perform the Executive's duties hereunder or as required by applicable law, disclose to others for use, whether directly or indirectly, any Confidential Information regarding the Company. "**Confidential Information**" shall mean information about the Company, its subsidiaries and Affiliates, and their respective clients and customers that is not available to the general public and that was learned by the Executive in the course of the Executive's employment by the Company, including (without limitation) any data, formulae, information, proprietary knowledge, trade secrets and client and customer lists and all papers, resumes, records and the documents containing such Confidential Information. The Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company, and that such information gives the Company a competitive advantage. Upon the termination of the Executive's employment, the Executive will promptly deliver to the Company all documents (and all copies thereof) containing any Confidential Information. Nothing in this Agreement prohibits the Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive does not need the prior authorization of the Company or its legal department to make any such reports or disclosures and the Executive is not required to notify the Company that the Executive has made any such reports or disclosures.

15. Non-competition. The Executive agrees that during the Term of this Agreement, the Executive will not, directly or indirectly, without the prior written consent of the Company, provide consultative service with or without pay, own, manage, operate, join, control, participate in, or be connected as a stockholder, partner, or otherwise with any business, individual, partner, firm, corporation, or other entity which is then in competition with the Company or any present Affiliate of the Company; *provided, however*, that the "beneficial ownership" by the Executive, either individually or as a member of a "group," as such terms are used in Rule 13d of the Exchange Act, of not more than 1% of the voting stock of any publicly held corporation shall not be a violation by the Executive of this Section 15. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or Affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or Affiliate of the Company in violation of this Agreement. For purposes of clarification, the provisions and restrictions contained in this Section 15 shall not apply to the Executive from and after the termination of the Executive's employment with the Company for any reason.

Executive: The Cheesecake Factory Incorporated
26901 Malibu Hills Road
Calabasas Hills, California 91301
Attention: Scarlett May

19. Amendments or Additions. No amendment or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.
20. Section Headings. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.
21. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.
22. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.
23. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before one arbitrator in Los Angeles, California, in accordance with the rules of the JAMS Employment Arbitration Rules and Procedures then in effect. The Company shall pay the fees and costs of arbitration to the extent required under California law. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the foregoing:
- (b) Procedures. The arbitrator shall allow such discovery as the arbitrator determines appropriate under the circumstances and shall resolve the dispute as expeditiously as practicable, and if reasonably practicable, within one hundred twenty (120) days after the selection of the arbitrator. The arbitrator shall give the parties written notice of the decision, with the reasons therefor set out, and shall have thirty (30) days thereafter to reconsider and modify such decision if any party so requests within ten (10) days after the decision.
 - (c) Authority. The arbitrator shall have authority to award relief under legal or equitable principles, including interim or preliminary relief. Attorneys' fees may be awarded to the prevailing party.
 - (d) Entry of Judgment. Judgment upon the award rendered by the arbitrator may be entered in any court having in person and subject matter jurisdiction. The Company and the Executive hereby submit to the in person jurisdiction of the federal and state courts in Los Angeles, California, for the purpose of confirming any such award and entering judgment thereon.
24. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board or the Compensation Committee. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The Prior Agreement is hereby terminated as of immediately before the Effective Date. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code or other statute or regulation shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. In the event that the Company shall not pay when due any amounts required to be paid to the Executive, such unpaid amounts shall accrue interest from the due date at the lesser of the prime commercial lending rate announced by Bank of America N.A. in effect from time to time during the period of nonpayment or the maximum rate allowed by law.

25. Code Section 409A.

(b) Deferred Compensation. The parties agree that all provisions of this Agreement are intended to meet, and to operate in accordance with, in all material respects, the requirements of Section 409A of the Code, its Regulations, and any guidance from the Department of Treasury or Internal Revenue Service thereunder. Where ambiguity or uncertainty exists, this Agreement shall be interpreted in a manner which would qualify any compensation payable hereunder to satisfy the requirements for exception to or exclusion from Code Section 409A and the taxes imposed thereunder. Each payment to the Executive made pursuant to any provision of this Agreement or otherwise shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. To the extent any nonqualified deferred compensation payment to the Executive could be paid in one or more of the Executive's taxable years depending upon the Executive completing certain employment-related actions, then any such payments will commence or occur in the later taxable year to the extent required by Code Section 409A.

(c) In the event either party reasonably determines that any item payable by the Company to the Executive pursuant to this Agreement that is not subject to a substantial risk of forfeiture would not meet, or is reasonably likely not to meet, the requirements of Code Section 409A, or to qualify as exempt from Code Section 409A, such party shall notify the other in writing. Any such notice shall specify in reasonable detail the basis and reasons for such party's determination. The parties agree to negotiate in good faith the terms and conditions of an amendment to this Agreement to avoid the inclusion of such item in a tax year before the Executive's actual receipt of such item of income. Provided, however, nothing in this Section 25 shall be construed or interpreted to require the Company to increase any amounts payable to the Executive pursuant to this Agreement or to consent to any amendment that would materially and adversely change the Company's financial accounting or tax treatment of the payments to the Executive under this Agreement. Notwithstanding anything to the contrary, if the Executive is a Specified Employee on the date of the Executive's Separation from Service, then to the extent needed to comply with Code Section 409A any nonqualified deferred compensation payable to the Executive on account of the Executive's Separation from Service under this Agreement or otherwise shall not be paid or commence payment until the earlier of (a) the first business day of the seventh month after the date of the Executive's Separation from Service and (b) ten business days after the Company's receives written notification of the Executive's death. In the event the Executive is subject to additional taxes imposed by Code Section 409A which relate solely to the Prior Agreement's timing of payment for the Severance Payments, then within 60 days after the determination that such Code Section 409A taxes are due, the Company shall pay the Executive a cash amount so that the Executive will be in the same position on an after-tax basis that the Executive would have been in if no Code Section 409A taxes and related interest and/or penalties had been imposed.

26. Survival. The provisions of this Agreement that may be reasonably interpreted as surviving expiration or termination of this Agreement, including Sections 3 (b), 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 23, 24, 25 and 26, and shall continue in effect after expiration or termination of this Agreement. No termination of this Agreement by either party shall result in a termination of any vested Awards, except in accordance with the terms and conditions of the applicable Award agreement.

27. Construction. The Company and the Executive agree that the terms and conditions of this Agreement are the result of lengthy, intensive arms' length negotiations between them and that this Agreement shall not be construed or resolved, whether under any rule of construction or otherwise, in favor of or against either of them by reason of the extent to which either of them or his, her or its counsel participated in the drafting of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement on the Effective Date.

COMPANY:

THE CHEESECAKE FACTORY INCORPORATED,
a Delaware corporation

By: _____
David Overton, President and Chief Executive Officer

EXECUTIVE:

By: _____
Scarlett May

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: May 11, 2018

/s/ DAVID OVERTON

David Overton

Chairman of the Board and Chief Executive Officer

(Principal Executive Officer)

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: May 11, 2018

/s/ MATTHEW E. CLARK

Matthew E. Clark

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

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 April 3, 2018 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 as of, and for, the periods presented in such report.

May 11, 2018

/s/ DAVID OVERTON

David Overton

Chairman of the Board and Chief Executive Officer

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 April 3, 2018 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 as of, and for, the periods presented in such report.

May 11, 2018

/s/ MATTHEW E. CLARK

Matthew E. Clark

Executive Vice President and Chief Financial Officer
