

The Cheesecake Factory Incorporated (CAKE) Q1 2026 Earnings Call Transcript

Apr 30, 2026, 2:31 AM ET | **The Cheesecake Factory Incorporated (CAKE) Stock**

**SA Transcripts**

161.22K Followers

Q1: 2026-04-29 Earnings Summary

[Insights](#)

EPS of \$1.05 **beats by \$0.04** | Revenue of \$978.83M (5.57% Y/Y) **beats by \$14.25M**

The Cheesecake Factory Incorporated ([CAKE](#)) Q1 2026 Earnings Call April 29, 2026
5:00 PM EDT

Company Participants

Etienne Marcus - Vice President of Finance & Investor Relations

David Overton - Founder, Chairman & CEO

David Gordon - President

Matthew Clark - Executive VP & CFO

Conference Call Participants

Andrew Barish - Jefferies LLC, Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
James Salera - Stephens Inc., Research Division
Pratik Patel - Barclays Bank PLC, Research Division
Huiching Chiang - Goldman Sachs Group, Inc., Research Division
James Sanderson - Northcoast Research Partners, LLC
Karen Holthouse
Kelly Anne Merrill - Morgan Stanley, Research Division
Sara Senatore - BofA Securities, Research Division

Presentation

Operator

Thank you for standing by. My name is Rebecca, and I will be your conference operator today. At this time, I would like to welcome everyone to The Cheesecake Factory Incorporated First Quarter 2026 Earnings Conference Call. [Operator Instructions]

I will now turn the call over to Etienne Marcus, Vice President of Finance and Investor Relations. Please go ahead.

Etienne Marcus

Vice President of Finance & Investor Relations

Good afternoon, and welcome to our first quarter fiscal 2026 earnings call. On the call with me today are David Overton, our Chairman and Chief Executive Officer; David Gordon, our President; and Matt Clark, our Executive Vice President and Chief Financial Officer.

Before we begin, let me quickly remind you that during this call, items will be discussed that are not based on historical facts and are considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could be materially different from those stated or implied in forward-looking statements as a result of the factors detailed in today's press release, which is available on our website at investors.thecheesecakefactory.com and in our filings with the Securities and Exchange Commission.

All forward-looking statements made on this call speak only as of today's date, and the company undertakes no duty to update any forward-looking statements. In addition, during this conference call, we will be presenting results on an adjusted basis, which exclude acquisition-related items, impairment of assets and lease termination expenses and other items. Explanations of our use of non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures appear in our press release on our website as previously described.

David Overton will begin today's call with some opening remarks, and David Gordon will provide an operational update. Matt will then review our first quarter financial results and provide commentary on our financial outlook before opening the call up to questions.

With that, I'll turn the call over to David Overton.

David Overton

Founder, Chairman & CEO

Thank you, Etienne. We delivered strong results in the first quarter, exceeding expectations across revenue, margins and adjusted diluted earnings per share. This performance reflects disciplined execution across our restaurants and continued demand for our differentiated high-quality concepts.

First quarter comparable sales at The Cheesecake Factory restaurants increased 1.6%, outperforming the industry and reflecting the strong affinity for our namesake concept. Culinary innovation continues to be a core strength of our business. Our recent menu additions, including new bites and expanded bowl options have been well received by guests and highlight the broad appeal of our menu and the value we deliver to our guests. Importantly, these offerings keep the concept fresh and competitively positioned without relying on discounting.

To this point, Cheesecake Factory average weekly sales reached a new all-time high during the quarter, bringing our industry-leading annualized unit volumes to nearly \$12.8 million. Strong sales and exceptional execution drove further improvement in The Cheesecake Factory's restaurant-level profit margins, and we delivered double-digit growth in adjusted diluted earnings per share year-over-year.

Turning to development. During the first quarter, we opened 3 restaurants, including a North Italia, a Henry and a Flower Child. In addition, 1 Cheesecake Factory restaurant opened in the first quarter in Mexico under a licensing agreement, the only international opening we expect this year. Subsequent to quarter end, we opened in North Italia, marking our 50th location for the concept. With these openings, we remain on track to meet our objective of opening as many as 26 new restaurants this year.

In summary, we delivered a strong quarter. And as we look ahead, we will remain focused on delivering exceptional food, service and hospitality, the hallmarks of our success while continuing to execute our long-term growth strategy. Before I turn the call over, I am pleased to share we were once again recognized by Fortune as one of the 100 Best Companies to work for, marking our 13th consecutive year on the list.

This recognition based on direct feedback from our staff reflects the strength of our culture and the engagement of our people. We believe this continues to be an important advantage in attracting and retaining talent in a highly competitive labor environment.

With that, I will now hand the call to David Gordon to provide an operational update.

David Gordon

President

Thank you, David. Our performance this quarter reflects the strength of our operations teams and their ability to execute at a high level in our restaurants while leveraging sales growth to drive flow-through and profitability. Operators delivered improvements in labor productivity, food cost management and other controllable expenses while maintaining strong retention across both hourly staff and management teams and delivering strong guest satisfaction scores.

As David mentioned, our recent menu additions at The Cheesecake Factory restaurants have been well received, which we believe has contributed to the sequential improvements in traffic and check mix. This has allowed us to moderate menu pricing without impacting restaurant level margins.

Moving on to Cheesecake Rewards. The recent launch of our new mobile app has exceeded expectations with top-tier download rankings, including #3 overall and #1 in food and drink during the rollout week. And early guest feedback has been overwhelmingly positive, particularly around the app's ease of use for making reservations and browsing the menu to place orders, reordering favorites and accessing rewards all within the app. We are also seeing solid early traction with increasing adoption of the app for digital ordering, reflecting strong early engagement with the platform.

At the same time, we continue to refine the program toward more targeted behavior-based personalized offers with an increased focus on life cycle management. So far this year, we've seen higher engagement, improved incrementality and greater offer efficiency. I'll now turn to additional concept performance details. The Cheesecake Factory's first quarter comparable sales outperformed the Black Box Casual Dining Index by 40 basis points and resulted in annualized AUVs of \$12.8 million for the quarter. This performance was supported by an off-premise mix of 22%, in line with the prior quarter and prior year.

Restaurant-level profit margins increased 10 basis points year-over-year to 17.5%. North Italia's first quarter annualized AUVs totaled \$7.4 million with comparable sales declining 2%. Our focus remains on returning to positive sales growth, and we remain confident in the concept's competitive positioning and long-term opportunity. At the same time, we're seeing encouraging trends, including improved retention across both managers and hourly staff as well as strong early results at new restaurant openings with average weekly sales at recent openings meaningfully above the system average.

In addition, we recently implemented at North Italia, the guest feedback platform used at The Cheesecake Factory, which we believe will provide valuable insights into execution and support ongoing improvement. Our new menu currently being rolled out introduces a dedicated lunch section featuring lighter options, including refreshed salads and additional protein offerings aligned with current guest preferences and thoughtfully priced. We believe this will increase awareness of our lunch offering and strengthen our value proposition in the lunch daypart.

Restaurant level profit margin for the adjusted mature North Italia locations was 14.8% for the quarter versus 16.6% for the prior year. The decline primarily reflects sales deleverage along with higher building expenses, including repairs and maintenance and utilities.

Flower Child delivered another standout quarter, meaningfully outpacing the fast casual segment, underscoring the strong affinity for the concept as it continues to take market share. First quarter comparable sales increased 10% for a 2-year comparable sales increase of 15%. This strong performance translated into annualized AUVs of \$4.9 million, a new quarterly high for the concept. Restaurant-level profit margin for the adjusted mature.

Flower Child locations was 19.6% in the first quarter, up 100 basis points from the prior year. This performance reflects the concept's highly differentiated positioning with a made-from-scratch menu that is both health-focused and craveable, delivering compelling value across a broad range of offerings, all within thoughtfully designed restaurants to provide a more elevated experiential dining experience.

Combined with consistent strong execution by our restaurant teams, these strengths continue to drive momentum and strong sales trends. We remain focused on building strong teams to support the concept's continued growth, and we're increasingly confident in the opportunity ahead.

And lastly, we expanded our FRC portfolio with the opening of a Henry in Phoenix, which opened to strong demand. Average weekly sales have exceeded \$280,000 in the first 4 weeks for an annualized AUV of over \$14 million.

And with that, let me turn the call over to Matt for our financial review.

Matthew Clark

Executive VP & CFO

Thank you, David. Let me first provide a high-level recap of our first quarter results versus our expectations I outlined last quarter. Total revenues were \$978.8 million, meaningfully above the high end of the range we provided. Adjusted net income margin was 5.2% and adjusted diluted earnings per share was \$1.05, both finishing above our expectations. And we returned \$32.6 million to our shareholders in the form of dividends and stock repurchases.

Now turning to some more specific details around the quarter. First quarter total sales at The Cheesecake Factory restaurants were \$690.5 million, up 3% from the prior year. Total sales for North Italia were \$89.5 million, up 7% from the prior year period. Other FRC sales totaled \$104.5 million, up 20% from the prior year, and sales per operating week were \$145,200. Flower Child sales totaled \$52.6 million, up 21% from the prior year, and sales per operating week were \$94,500. And external bakery sales were \$13.9 million.

Now moving to year-over-year expense variance commentary. Specifically, cost of sales decreased 10 basis points, primarily driven by favorable dairy costs, partially offset by higher beef and seafood costs. Labor as a percent of sales declined 20 basis points, primarily driven by labor productivity gains, partially offset by higher group medical.

Other operating expenses increased 40 basis points, primarily driven by higher utility and bakery overhead costs. G&A remained relatively flat as a percent of sales and depreciation increased 10 basis points from the prior year. Preopening costs for the quarter, including some expenses related to early second quarter openings totaled \$5.5 million compared to \$8.1 million in the prior year period.

We opened 3 restaurants during the first quarter versus 8 restaurants in the first quarter of 2025. And in the first quarter, we recorded a pretax net expense of \$2 million, primarily related to impairment of assets and lease termination expenses and FRC acquisition-related items. First quarter GAAP diluted net income per share was \$1.02. Adjusted diluted net income per share was \$1.05.

Now turning to our balance sheet and capital allocation. The company ended the quarter with total available liquidity of \$601.6 million, including a cash balance of \$235.1 million and \$366.5 million available on our revolving credit facility. Total principal amount of debt outstanding was \$644 million, including \$69 million in principal amount of 0.375% convertible senior notes due 2026 and \$575 million in principal amount of 2% convertible senior notes due 2030.

CapEx totaled approximately \$43 million during the first quarter for new unit development and maintenance. During the quarter, we completed approximately \$18.4 million in share repurchases and returned \$14.2 million to shareholders via our dividend.

Now let me turn to our outlook. While we will not be providing specific comparable sales and earnings guidance, we will provide our updated thoughts on our underlying assumptions for Q2 and full year 2026. Our assumptions factor in everything we know as of today, including net restaurant counts, quarter-to-date trends, our expectations for the weeks ahead, anticipated impacts associated with holiday shifts and the recent softness in industry sales trends and the current consumer environment.

Specifically for Q2, we anticipate total revenues to be between \$990 million and \$1 billion. Next, at this time, we expect effective commodity inflation of low to mid-single digits for Q2 as our broad market basket remains stable. We are modeling net total labor inflation of low to mid-single digits when factoring in the latest trends in wage rates and minimum wage increases as well as other components of labor.

Other operating expenses are estimated to be approximately 20 basis points higher than prior year, reflecting higher marketing spend to support the launch of our rewards app. G&A is estimated to be approximately \$63 million to \$64 million. Depreciation is estimated to be approximately \$28 million to \$29 million. We are estimating preopening expenses to be approximately \$7 million. Based on these assumptions, we would anticipate adjusted net income margin to be about 5.5% at the midpoint of the sales range provided. For modeling purposes, we are assuming a tax rate of approximately 13% and weighted average shares outstanding of approximately 48.5 million.

Turning to fiscal 2026. Based on similar assumptions and no material operating or consumer disruptions, we anticipate total revenues for fiscal 2026 to be approximately \$3.91 billion at the midpoint of our sensitivity modeling. For sensitivity purposes, we are using a range of plus or minus 1%. We currently estimate total inflation across our commodity basket, labor and other operating expenses to be in the low to mid-single-digit range and fairly consistent across the quarters.

We are estimating G&A to be about 6.5% of sales, partially driven by our sales growth outlook impacted by the timing of restaurant openings and closures as well as periodic true-ups related to stock-based compensation. Depreciation is expected to be about \$115 million for the year. And given our unit growth expectations, we are estimating preopening expenses to be approximately \$35 million to \$36 million. Based on these assumptions, we would expect full year net income margin to be approximately 5% of the sales estimate provided.

For modeling purposes, we are assuming a tax rate of approximately 11% and weighted average shares outstanding relatively flat to 2025. With regard to development, we plan to continue accelerating unit growth this year. At this time, we expect to open as many as 26 new restaurants in 2026, with roughly 3/4 of those openings planned for the second half of the year. This includes as many as 6 Cheesecake Factories, 6 to 7 North Italias, 6 to 7 Flower Childs and 7 FRC restaurants.

And we would anticipate approximately \$210 million in cash CapEx to support unit development as well as required maintenance on our restaurants. Note, this CapEx range includes some new restaurant construction expenses, which may be classified as operating lease assets instead of additions to property and equipment in the statement of cash flows.

In closing, our first quarter results reflect a healthy business, solid top line momentum, disciplined cost management and strong operational execution. Our financial position continues to provide the flexibility to support new unit growth while investing in the business and returning capital to shareholders. With a diversified portfolio of high-quality concepts, experienced operators and a strong balance sheet, we believe we are well positioned as we move through the year.

Looking ahead, we remain focused on consistent execution, comparable sales growth, margin expansion and long-term shareholder value creation. With that said, we'll take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Andy Barish with Jefferies.

Andrew Barish

Jefferies LLC, Research Division

Can you just kind of go through -- I know the Cheesecake business has been very consistent on the top line. Just anything quarter-to-date? I know it's been noisy with Easter and spring break shifts. But just anything you're seeing in your guests, any check management that you'd be willing to comment on would be helpful.

Matthew Clark

Executive VP & CFO

Sure, Andrew. This is Matt. I mean, as you know, we're not going to give a specific number. But I think if you interpolate the revenue guidance for the second quarter, we're expecting to have consistent trends continue for the Cheesecake Factory. And I think we feel cautiously optimistic about the rollout of the app and the incrementality that we have potential to drive there. We rolled out incremental more new menu items in the first quarter, and we saw progressively improving incident rate trends on those. So generally, I would say we have a bullish outlook on our business at this time.

Operator

Your next question comes from the line of Jeff Farmer with Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

Matt, you mentioned that the Q1 revenue performance exceeded obviously, the guidance. But what was the primary driver of that outperformance relative to your guidance?

Matthew Clark

Executive VP & CFO

Yes, Jeff, this is Matt. It was a couple of factors. I mean, obviously, Cheesecake Factory comps came in above the range that we had provided there. And I think they were very stable throughout the quarter. So I think that was a positive. And then certainly, Flower Child, that 10% was above our expectations that we had thought more in the mid-single digits. And each of those probably contributed about 50% of the beat.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. And then one more. As it relates to intra-quarter same-store sales trends, when the conflict in Iran really kicked off in early March and gas prices jumped, did you see any impact on same-store sales for any of the businesses?

Matthew Clark

Executive VP & CFO

We were pretty steady throughout the quarter. Honestly, we were looking at that as well and parsing it. And throughout the portfolio, we continue to be, I think, steady. There's a little bit of spring break movement, but even that was probably more muted than we thought. And so it was very balanced throughout the quarter, and we didn't see any trade down either. So I would say both the guest traffic and the mix were both steady throughout.

Operator

Your next question comes from the line of Jim Salera with Stephens.

James Salera

Stephens Inc., Research Division

Maybe a 2-part question. One, just some housekeeping. Are you able to provide the breakout of Cheesecake Factory comps, the traffic, the pricing and then the mix components? And then as we look at the strong results in the quarter, I know historically, you've talked about kind of GDP and jobs numbers as having a big influence on guest traffic and engagement with the brand.

I don't think we've had necessarily very good jobs numbers this year that haven't been horrible, but I think kind of continuing to slow growth in 2025. But then we see your results accelerating. And so I was hoping maybe you could just kind of bridge what's happening at your restaurants that's maybe leading you to outperform relative to kind of the macro backdrop as a whole.

Matthew Clark

Executive VP & CFO

Sure, Jim, this is Matt. I'll start here on the specifics of the Cheesecake Factory. Pricing was at 3.3%. As we have noted previously, that's coming down. It will be 3% in the subsequent quarters, just given the timing of what was rolling off in the quarter, it was at 3.3%. And then the mix was a negative 0.3%. So we saw a pretty material stabilization there, really benefiting particularly from the bites being add-ons and not substitutions. And so we feel really positive about that. And the traffic was a negative 1.4%, which was a material improvement over the Q4 results.

And just also note for everybody for the record, the total weather impact for the company was about 1.7% of sales. Of course, there was weather in the prior year. So the net really was about 70, 75 basis points, if you think about that. So pretty close to getting back to that flat traffic for Cheesecake Factory really on a like-for-like basis. So really positive movement there.

And I think, Jim, there's a lot of factors at play regarding sort of the economy. Certainly, if you believe in or subscribe to the K economy component of it, many of our concepts in our portfolio benefit from higher income cohorts. And so I think that there's a piece of that. I think the flexibility of the menu, particularly at Cheesecake Factory and Flower Child will benefit us with a tail here and the whole GLP-1 thing. right? Like you can get anything you want to eat.

And at Cheesecake Factory, you can get steamed salmon with broccoli, if that's what you want and heavy up on the proteins and certainly have Flower child as well. So I think the menu, ultimately, we believe in sort of the 3 primary tentpoles of restaurant touring, and that's the menu and the hospitality and the service. And so I think we're excelling in those. So probably taking some share for those reasons.

I do think even though the jobs haven't been great, to your point, sort of breaking into the economist here, the news cycle around the layoffs is not also as bad as it sounds. I mean the big news, but it's been steady. The job market has been steady. Discretionary income is up slightly, and it's up a bit more than we're taking price. So from a wallet perspective, I think there's that. I think also lastly, what we've ascribed to here, and I just read about this today in the journal where people's wallets are going is for experiences, not for just goods and we're experiential dining. And so it's not so much transactional. So I think for all of those reasons.

David Gordon*President*

Jim, this is David Gordon. I'll just add one more piece, and that would be the continued retention we see in the restaurants at the hourly staff and management level quarter after quarter after quarter, has allowed the operations teams to execute as well as they ever have. And we continue to see that type of execution. We see it in the results of our Net Promoter Scores continuing to be positive. And that just has a flywheel effect of guests wanting to come back and having those type of experiences that Matt just mentioned. So that can never be overlooked.

Operator

Your next question comes from the line of Jeff Bernstein with Barclays.

Pratik Patel

Barclays Bank PLC, Research Division

This is Pratik on for Jeff. Just a quick housekeeping question. Can we also have the components of the comp for North Italia, please? And then I have a real question.

Etienne Marcus

Vice President of Finance & Investor Relations

Yes. This is Etienne. I'm happy to provide that for the components. So mix was positive 1% for the quarter. Price was about 3% that came down a little bit, and then traffic was negative 6%.

Pratik Patel

Barclays Bank PLC, Research Division

I appreciate it. And then my bigger picture question was, I appreciate that your brands skewed to relatively higher income consumers. But with elevated gas prices, inflation north of 3%, the ongoing stock market volatility, it just seems like everyone is frustrated these days to some degree. So I was just wondering if you're seeing any trade down from fine dining and other higher-end casual dining customers into your brands. Do you currently think you're capitalizing on that? Or is there an opportunity to capitalize that on that frustration? And secondly, in terms of whatever read you have on your own customers, do you see any check management in terms of alcohol appetizers or add-ons?

David Gordon

President

Sure. This is David Gordon. A couple of things. I think that the incident rates and the add-ons have remained incredibly consistent. As Matt touched on earlier, some of the early check management that maybe people were anticipating with the bites, really, we didn't see. We saw people attaching bites along with the rest of their meal at Cheesecake Factory. As far as the high-end consumer and white table cloth, I would say actually, if you look at Flower Child, I think maybe Flower Child is taking market share from QSR or maybe from some of the folks in fast casual that have had to take much more price to protect margins over time.

And Flower Child has not had to do that and has an elevated experience. And so along with that elevated experience and the quality of the food and the menu innovation and the ongoing LTOs, I think we are taking market share maybe from that consumer that feels pinched, whether that's your typical fast casual or QSR. I think that's benefited Flower Child.

Operator

Your next question comes from the line of Samantha Chiang with Goldman Sachs.

Huiching Chiang

Goldman Sachs Group, Inc., Research Division

This is Samantha on for Christine Cho. Congrats on the strong results. With the new Cheesecake mobile app launched earlier this month, I know you mentioned that really guest feedback has been positive so far. Could you touch on any additional early observations that you have from the app rollout regarding member engagement and frequency? And how do you expect personalized marketing to evolve following this launch?

David Gordon

President

Sure, Samantha. This is David again. We still haven't discussed any actual numbers around the rewards program. And I would anticipate, you should anticipate we won't be doing that either when it comes to the amount of downloads or members that have joined since they've downloaded the app. What I will say is that we are very pleased with the amount of downloads that we've seen thus far. We're also very pleased with the amount of sign-ins that we've seen after downloading because downloading is one thing, but then engaging with the app is something else.

And we're happy with the amount of folks that have enabled locations and allowed notifications because those are ways that we can engage with them on a one-on-one personalized relationship, get the best ROI out of them, try and drive the incrementality that we've talked about historically and continue to gather data to make sure that the marketing spend is getting us the best ROI in the long run. So we're super happy with the launch early on.

I think as I stated in the opening prepared remarks around the amount of engagement in the App Store and the Google Play Store right in the beginning was very, very high, and that's very promising to see and continues week after week to be significant.

Matthew Clark

Executive VP & CFO

Samantha, this is Matt. Just one thing qualitatively. I've been really pleased with the number of new guests that we're getting for the sign-up. So clearly, we're opening the funnel to attract incremental traffic, and it's not just about engaging with our current rewards members, but making sure we're actually growing the total base.

Operator

Your next question comes from the line of John Ivankoe with JPMorgan.

Unknown Analyst

This is [Christal] on for John. My first question is on Flower Child. So the 10% comp is really strong against the category that came in roughly at flat in the same quarter. And most of the discussion around unit growth, you said has been dependent on your management pipeline, whether let's say general manager and your executive chef. I was wondering where are you on that, especially as the category is growing really fast compared to other segments in the restaurant?

David Gordon

President

[Christal,] this is David. Great question. And we have said that in the past that we still believe that being able to grow at the pace we want is going to require the right type of general manager and executive chef. We still believe that. We're pleased to see continued retention benefits at Flower Child because that's a key component of career growth and enabling people to be able to grow their careers within the concept to reach that general manager and executive chef level.

And we feel confident in our current growth trajectory that we have the pipeline in place to meet those expectations. And that team is very, very focused. If we decided we wanted to ramp up just a little bit from where we are today, they remain focused in the most important areas to enable the growth in that talent level to have the general managers and executive chefs in place in time for that growth.

Unknown Analyst

And second one is on North Italia. Looking at numbers, it looks like new unit volumes came down a little bit in the first quarter. I was just wondering how new units are opening up and if you could give a little bit more detail.

David Gordon

President

Sure. We've opened up 2 new restaurants here recently. Actually, we just finished our first full week at our new Brea location in Southern California, the busiest opening week in the history of North Italia for any individual location. So very, very well received in an existing market. And then in the new market in Northern California, roughly about a month ago, that would have been our busiest opening if we hadn't just opened in Brea. So new markets have been very, very well received. We'll continue down the path this year of about 50% new to existing markets, and we're pleased with the early results.

Operator

Your next question comes from the line of Jim Sanderson with Northcoast Research.

James Sanderson

Northcoast Research Partners, LLC

Congratulations on a great quarter. I wondered if you could talk a little bit more about store margin at North Italia. That was a bit lower than expected and what the unlocks or remedies are to get that back up to the double-digit teens.

Matthew Clark

Executive VP & CFO

Sure, Jim. This is Matt. I think a couple of things. There's certainly a little bit of pressure there from the comp and some deleverage on more of the fixed cost piece. I think it's also about making sure that we're investing the right amounts in labor as well as having, as David talked about on the prepared remarks, the right menu offerings at thoughtful prices. There's also a little bit of the mix of mature. So right, every year, the different sort of group comes into the mature margin set, and this happened to have a couple of higher margin or higher cost market in that. So more on a comp basis, it didn't move quite as much. So that's a little bit of it's optics.

I think the most important thing, though, is to continue to focus, as David said, on positive comp store sales, right? That's really the primary attribute to recapturing the margin piece. Overall, we feel very confident that the mature margins should be in that 16% to 18% range on an ongoing basis that we've talked about. And we're obviously very close to striking distance on that. So it's not a big movement from our range, and some of it is just the moving pieces that happened to be in Q1, but certainly a lot of focus on recovering that.

James Sanderson

Northcoast Research Partners, LLC

And just a follow-up to that. How would leaning into lunch impact the store margin just in general?

Matthew Clark

Executive VP & CFO

It's really about aggregate traffic. I think from a lunch perspective, the incrementality and recapturing that traffic there. The flow-through, obviously, we have the teams there, right? There's a staffing level that's already set. And so you're able to recapture margins at a higher rate than what the average is. And I think that's the key, right? That's why, ultimately, we believe that's the biggest lever on the margin side of things is to bring in more people when we have capacity.

James Sanderson

Northcoast Research Partners, LLC

All right. And just last question for me. Just stepping back, how should we look at the ability for you to consistently expand consolidated store margin over time? I think it's pretty much flattish with prior years the trend that we're seeing right now on an annualized basis. So the formula to get back to modest expansion.

Matthew Clark

Executive VP & CFO

Sure. Our full year guidance still calls for about 25 basis points of 4-wall margin expansion in totality. Certainly, every quarter is going to have a little bit of ups and downs depending on, as we noted, group medical or one of the things that we saw in the first quarter was that produce prices were higher just because of weather conditions, right? But our outlook for the year remains unchanged because a lot of that just is timing that was already anticipated by us and built into our expectations for the quarter.

So we feel very confident that 25 basis points a year is still attainable across the portfolio, and that's our plan for this year. That would put us north of the 16% kind of range, and that is inclusive of the growth of adding 26 new restaurants. So I would say that's still our target and still very viable, and that's our plan so far.

Operator

Your next question comes from the line of Jon Tower with Citi.

Karen Holthouse

This is Karen Holthouse on for Jon Tower this evening. Yes, anecdotally, it seems that there's more social content coming out. It's, I think, showing up in at least within our team, we've talked about it our feeds more often than I think just content that's more engaging. Could you maybe comment on anything you're doing differently on your end, how you're measuring engagement in that channel and how meaningful that you think that could be as a part of a go-forward marketing strategy?

David Gordon

President

Sure, Karen. This is David. We have a pretty strong social presence across Instagram. We just -- I'd say in the past 6 months, dipped our toe in the water on TikTok here and there, using influencers, paid and nonpaid. I'd say for Cheesecake Factory, one of the most beneficial aspects of the concept is all the PR that we get on a regular basis, whether that's through -- not through paid media, right, but just through culture and showing up on late-night TV, et cetera. But we have many different tactics across all social media platforms that we're using on a regular basis and try and take a real multichannel approach, and we'll continue to do that.

Karen Holthouse

And then a quick second one. I think Cheesecake Factory is probably one of the really like primarily U.S.-based brands that has a pretty big brand recognition. As you move around the world, kind of this is the concept there is theory, just the Big Bang theory is a reason it's popular. Are you building anything explicit in your second quarter or annual outlook for a potential benefit around the World Cup and the associated tourism?

Matthew Clark

Executive VP & CFO

Karen, this is Matt. No, I think that would be a nice upside. I do think you're right. We do have great worldwide recognition, and we do hear that. And you're also right about the Big Bang theory, which is kind of funny but true. But I think that the World Cup could be a benefit. I think we'll -- if that happens, then we'll all be pleasantly surprised to the upside.

Operator

Your next question comes from Kelly Merrill with Morgan Stanley.

Kelly Anne Merrill

Morgan Stanley, Research Division

This is Kelly on for Brian. Just wanted to ask, do you have any plans to iterate on bowls and bites just as smaller portions become more popular among consumers? And can you remind us, is that menu going to be refreshed a few times a year like the core menu?

David Gordon

President

Certainly, menu innovation is going to remain core to everything that we do. I think you can expect in our next menu change that we'll be refreshing some new bowls and bites, and there'll be some new opportunities for guests to enjoy some new flavor profiles and some new interesting innovative menu items, whether that's on the bowls and bites menu or on the main menu and in bowls and bites.

So our plan is to continue to make sure we have as much variety on the menu as possible. That's across every type of cuisine and every type of price point that we can offer for guests to give them the most value in any way they choose to use Cheesecake Factory.

Operator

Your last question comes from Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

I just -- I guess I wanted -- one last question on North Italia, I apologize if you touched on this earlier. But I guess, AUVs are down a little bit year-over-year, perhaps more than the same-store sales. I think one of the things that you -- or maybe 2 things you've talked about in the past are cannibalization on the one hand and on the other hand, awareness. So maybe a longer ramp and awareness is low, but also last year, you had perhaps more of a cannibalization impact because of where you were building those restaurants. I guess, as I look out this year, is cannibalization still a factor for North Italia? And also, I guess, conversely, are you opening in more new markets? And is that part of why the AUV might come down? So just some insights into the development strategy.

David Gordon

President

Sure. That's a great question. Thanks, Sara. I think the mix for this year is about 50-50 new and existing markets. We did call out cannibalization last year, and we still have some of that lingering in some of those markets as well. As far as the new markets, as I said earlier, we opened in Northern California, very strong opening there. But we would expect what traditionally does happen in North is that there's a much longer expecting that we're going to open up at the volumes of the last 2, but that we will open up a little shy of what our targets are and grow into those over time.

And that's our own internal expectation. If we exceed that expectation, we're pleasantly surprised and that creates a little bit of cannibalization in the short term, we're okay with that as well.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

Read more current CAKE [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.