The Cheesecake Factory Incorporated (CAKE) Q2 2026 Earnings Call Transcript

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Q2: 2026-07-28 Earnings Summary

Insights

EPS of $1.44 beats by $0.26 | Revenue of $1.03B (7.72% Y/Y) beats by $29.95M

The Cheesecake Factory Incorporated (CAKE) Q2 2026 Earnings Call July 28, 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

Jon Tower - Citigroup Inc., Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division
Andrew Barish - Jefferies LLC, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
Drew North
Sara Senatore - BofA Securities, Research Division
Brian Harbour - Morgan Stanley, Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
John Ivankoe - JPMorgan Chase & Co, Research Division
James Salera - Stephens Inc., Research Division
Sharon Zackfia - William Blair & Company L.L.C., Research Division

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to The Cheesecake Factory Incorporated Earnings Call for Q2 of 2026. [Operator Instructions]

I will now hand the conference over to Etienne Marcus, VP of Finance and Investor Relations. Etienne, please go ahead.

Etienne Marcus
Vice President of Finance & Investor Relations

Good afternoon, and welcome to our second 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 excludes acquisition-related items, impairment of assets and lease termination expenses and other items. Explanations of the use of our 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 second 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 an outstanding second quarter with revenue, margins and earnings all exceeding our expectations. Quarterly revenue surpassed $1 billion for the first time, and adjusted diluted earnings per share increased 24% year-over-year. The Cheesecake Factory restaurants led our performance, delivering comparable sales growth of 5.8% and positive traffic.

Our strong top line sales this quarter reflect disciplined execution across our restaurants. As a result, traffic trends improved, and we captured market share. The increase in sales, along with gains in labor productivity and food efficiency drove solid flow-through, increasing The Cheesecake Factory's restaurant level margin to 20%, its highest level in a decade.

One of the key drivers of this momentum has been the positive response to our recent menu additions, demonstrating the strength of our culinary innovation. Our new offerings highlight the breadth and relevance of our menu, helping to drive frequency, attract new guests and reinforce value through innovation rather than discounting. Later this week, we will celebrate National Cheesecake Day with the debut of our Brownie Crunch Choc-a-Lot Cheesecake. We're especially excited about this year's flavor and believe it will resonate well with our guests.

Turning to development. We opened four restaurants during the second quarter, including two North Italia locations, a Flower Child and a Henry. Subsequent to quarter end, we opened one Cheesecake Factory location. We remain on track to open as many as 26 restaurants this year, consistent with our longer-term objective of 7% annual unit growth. In summary, we delivered a record-setting quarter and entered the second half of the year from a position of strength.

Our success remains rooted in the fundamentals that have defined us for decades, exceptional hospitality, high-quality food and memorable dining experiences. We are building on that foundation with menu innovation, deeper guest engagement through our rewards program and operational excellence across our restaurants. Our results demonstrate that our strategy is working and reinforce our confidence in our ability to drive growth and create shareholder value. With that, I will now hand the call over to David Gordon to provide an operational update.

David Gordon
President

Thank you, David. As David highlighted, Cheesecake Factory delivered positive traffic in the second quarter, increasing 2.7% from the prior year and meaningfully outperforming the Black Box Casual Dining Index by 350 basis points. This performance contributed to average weekly sales reaching a new all-time high, elevating our already industry-leading annualized unit volumes above $13.5 million.

We believe these results reflect our strategic focus on three key areas: First, best-in-class operational execution and industry-leading retention; second, ongoing menu innovation; and third, the continued growth and evolution of our Cheesecake Rewards program. Since launching three years ago, the program has become an increasingly effective driver of guest loyalty and frequency, supported by a growing member base, enhanced digital capabilities and more personalized engagement.

Starting with operations. Our teams remain intensely focused on executing at a high level every day from food quality and pace of service to hospitality and overall guest experience. Industry-leading retention among both our management and hourly teams creates greater consistency in our restaurants and helps us deliver a high-quality experience for our guests. We believe our experienced teams, stable staffing and commitment to operational excellence are key contributors to our strong guest satisfaction and loyalty as well as our continued sales outperformance.

Next, culinary innovation remains a core pillar of our strategy. Our twice yearly menu updates keep our offerings fresh, relevant and aligned with evolving guest preferences. Combined with consistent execution, these innovations help drive sales and traffic. Our recently introduced Bowls are a great example as guests who have ordered from this new category are visiting more frequently, reinforcing the importance of continued menu innovation.

Moving on to Cheesecake Rewards. We're extremely pleased with the successful launch and early performance of the app. Guest adoption exceeded our expectations, driving strong member acquisition and engagement and creating a powerful new channel for direct communication. The app is already providing valuable insights into guest behavior and enabling us to deliver increasingly personalized targeted offers to drive incremental visits and improve marketing efficiency. Strong member growth, positive guest feedback and rising engagement reinforce our confidence in the platform as a meaningful long-term growth driver.

During the quarter, we also increased our marketing activity, leveraging social media, influencer partnerships, targeted digital campaigns and key promotional moments to amplify awareness of our menu innovation and rewards offerings. This coordinated approach across marketing, operations and technology helps strengthen guest engagement and brand visibility. Looking ahead, we believe the combination of operational excellence, continued menu innovation, growing rewards engagement and increasingly sophisticated marketing capabilities position us well to sustain momentum and deliver long-term profitable growth.

I'll now turn to performance of our other concepts. North Italia's second quarter annualized AUVs totaled $7.9 million and comparable sales declined 3%. We continue to see healthy demand in new restaurants with both locations opened during the quarter, generating average weekly sales well above $200,000. Through the first half of the year, retention has improved among both management and hourly teams.

Against the competitive industry backdrop, we're building on strategies and learnings that have proven effective at The Cheesecake Factory and Flower Child to develop targeted initiatives to drive improvement in North Italia. These include more value-oriented menu offerings and accessible price points, such as lower-priced pasta options and lunch specials to enhance affordability and strengthen guest perception of value. We are also increasing targeted marketing to build brand awareness and drive conversion. At the local level, we are expanding our marketing efforts through in-mall digital advertising, restaurant weeks and community events. We plan to test these initiatives during the second half of the year.

While we believe they can support more sustainable traffic, improvement will take time, and we expect some variability in traffic trends over the next several quarters as we begin to see the impact of these efforts. Our focus is on strengthening the brand for durable long-term growth.

Restaurant-level profit margin for the adjusted mature North Italia locations was 15.6% for the quarter versus 18.2% for the prior year. The change reflects sales deleverage and higher commodity inflation.

Flower Child continued to perform exceptionally well and once again meaningfully outpaced the fast casual segment. Second quarter comparable sales increased 13% for a 2-year comp sales increase of 17%. This sales performance translated to annualized AUVs of $5.3 million. Restaurant level profit margin for the adjusted mature Flower Child locations was 20.1% in the quarter.

Flower Child's performance reflects the strength of its unique positioning within fast casual. It's made-from-scratch menu is both health forward and craveable with a broad range of offerings at accessible price points, complemented by thoughtfully designed restaurants that provide a more elevated experience than traditional fast casual. Combined with disciplined execution in our restaurants, these attributes are driving repeat visits, traffic growth and impressive sales results.

We're continuing to build on the concepts talent pipeline and operating capabilities while leveraging The Cheesecake Factory's scale, systems and expertise to support its expansion. We remain very excited about the opportunity ahead and Flower Child's potential for meaningful long-term growth.

And lastly, we opened another location of The Henry in Wilmette, a suburb of Chicago to solve the demand with average weekly sales trending at $200,000 for the first six weeks for an annualized AUV of over $10 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 second quarter results versus our expectations I outlined last quarter.

Total revenues were over $1 billion, meaningfully above the high end of the range we provided. Adjusted net income margin was 6.8% and adjusted diluted earnings per share was $1.44, both finishing well above our expectations. And we returned $25 million to our shareholders in the form of dividends and stock repurchases. We also generated record quarterly net income of $68 million, up 25% year-over-year and record adjusted EBITDA of $118 million, up 18%, underscoring the strength of our earnings performance.

Now turning to some more specific details around the quarter. Second quarter total sales at The Cheesecake Factory restaurants were $729.5 million, up 7% from the prior year. Total sales for North Italia were $98.4 million, up 8% from the prior year period. Other FRC sales totaled $104 million, up 15% from the prior year, and sales per operating week were $142,100. Flower Child sales totaled $56.6 million, up 18% from the prior year, and sales per operating week were $101,300. And external bakery sales were $15.4 million.

Now moving to year-over-year expense variance commentary. Specifically, cost of sales increased 20 basis points, primarily driven by higher beef, produce and seafood costs, partially offset by lower dairy costs. Labor as a percent of sales declined 80 basis points, primarily driven by sales leverage and associated productivity gains. Other operating expenses decreased 30 basis points, driven by sales leverage and insurance, partially offset by higher marketing spend.

G&A increased 30 basis points from the prior year, primarily due to higher legal costs and stock-based compensation expense. Depreciation remained relatively flat as a percent of sales. Preopening costs were $7 million in the quarter compared to $9 million in the prior year period. We opened four restaurants during the second quarter versus eight restaurants in the second quarter of 2025. And in the second quarter, we recorded a pretax net expense of $1.4 million, primarily related to FRC acquisition-related expenses. Second quarter GAAP diluted net income per share was $1.41. Adjusted diluted net income per share was $1.44.

Now turning to our balance sheet and capital allocation. We ended the quarter with total available liquidity of $561.7 million, including a cash balance of $195.2 million and $366.5 million available on our revolving credit facility. During the quarter, we repaid the remaining $69 million principal amount on the convertible senior notes that were due in June 2026. As a result, our debt outstanding at quarter end consisted entirely of $575 million principal amount of our 2% convertible senior notes due 2030.

CapEx totaled approximately $43 million during the second quarter for new unit development and maintenance. During the quarter, we completed approximately $9.3 million in share repurchases and returned $15.7 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 Q3 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 and anticipated impacts associated with holiday shifts. Specifically, for Q3, we anticipate total revenues to be between $980 million and $990 million.

Next, at this time, we expect effective commodity inflation of low single digits for Q3 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.

G&A is estimated to be between $63 million and $64 million. Depreciation is estimated to be $29 million and preopening expenses to be $10 million to $11 million to support six openings in the quarter. Based on these assumptions, we would anticipate adjusted net income margin to be about 4.3% at the midpoint of the sales range provided. For modeling purposes, we are assuming a tax rate of approximately 13% to 14% and weighted average diluted shares outstanding of approximately 3% to 4% higher than prior year, primarily reflecting convertible note dilution and increased stock-based compensation dilution associated with a higher share price.

Now for the full year. Based on similar assumptions and no material operating or consumer disruptions, we now anticipate total revenues for fiscal 2026 to be approximately $4 billion at the midpoint of our estimates. 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 6.4% of sales. Depreciation is expected to be about $116 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 5.4% at the sales estimate provided.

For modeling purposes, we are assuming a tax rate of approximately 11% and weighted average shares outstanding of 49.5 million, primarily reflecting convertible note dilution and increased stock-based compensation dilution associated with a higher share price. As a reminder, the fourth quarter of 2025 included a onetime gift card breakage benefit in The Cheesecake Factory segment revenue.

With regard to development, we remain on track to open as many as 26 new restaurants in 2026, including six in the third quarter, with the remaining openings expected in the fourth quarter. For the full year, this includes as many as five to six Cheesecake Factories six to seven North Italias, seven Flower Childs and as many as seven 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 record second quarter revenue and net income and substantial operating cash flow, together with continued margin expansion, demonstrate the strength of our business. Exceptional execution continues to support high guest satisfaction, while menu innovation, our rewards program and marketing efforts are increasing awareness and driving traffic.

Our comparable sales and traffic outperformance reflects healthy demand. complemented by successful new restaurant openings, impressive off-premise performance and a robust development pipeline. These strengths continue to drive the sustained momentum we are seeing across the business. Our cash generation and healthy balance sheet provide the financial flexibility to continue investing in our business while returning capital to shareholders.

Looking ahead, we believe our differentiated concepts, seasoned operators and disciplined business model provide a strong foundation for profitable growth and long-term 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 Jon Tower with Citi.

Jon Tower
Citigroup Inc., Research Division

Maybe just a quick clarification and then a question. Matt, I think you had said in the prepared remarks, the net interest sic [income] margin target for the year was 5.4% on the midpoint of the range you discussed. The slide deck that you guys published this afternoon, I think, was closer to 5%. So I just want to make sure that I heard you correctly.

Matthew Clark
Executive VP & CFO

We unfortunately caught that slide deck error and we'll repost it. 5.4% -- just for everybody on the line, it is 5.4%.

Jon Tower
Citigroup Inc., Research Division

Okay. Great. And maybe, obviously, it's great to see The Cheesecake Factory brand get back to positive traffic growth in the period. I'm curious how much you would attribute that to maybe a short-term lift related to the launch of the app and that coming out and obviously, potentially having a very strong early on redemption. I believe there was a Cheesecake, pre-sliced Cheesecake that you signed up to the rewards program through the app early on versus you have quite a few other things going on in your business.

And importantly, I'm also curious if you could speak to how -- whether or not you're seeing younger guests come through the door more consistently than what you've seen in the past and maybe benchmarking that against the industry.

David Gordon
President

Sure, Jon. This is David Gordon. Thanks for the question. I think that there's a few factors at play. One, I think we've had terrific momentum moving into the quarter. I think all three of the items that I touched on in my prepared remarks, number one, starting with just really strong, good, consistent operations by our operations teams continues to be a focus that I think our guests are appreciating. And that, in combination with the strong industry-leading retention, our restaurants are as stable as ever. So kudos to the operations team. I think that we always like to talk about that first because delicious memorable food and strong hospitality is the foundation of everything at Cheesecake Factory.

Secondly, the culinary innovation that's happened for the past couple of quarters with the bites and the bowls has been very compelling and great offerings for guests from the flavor profiles to the price points. And I think we're seeing the benefits of that, and we'll continue down that menu innovation path. And to your point on Cheesecake Rewards, certainly, there was a good amount of lift from the app launch. We did our best to launch that in a way that we thought was the most appropriate and got us some terrific awareness but ongoing, we continue to see terrific engagement from guests that have downloaded the app and are appreciating all the benefits from making reservations.

You mentioned the complimentary birthday slice, tracking their rewards and being able to engage with the reward when they're in the restaurant and redeem much more -- easily. The seamless online ordering platform that is now built into the app has been greatly appreciated. So I think all of those elements are creating a bit of a flywheel and the team is executing well against that. We definitely are seeing a pickup in younger guests in some of our own internal research that we've looked at. We know that younger guests are returning to malls. There's been a lot that's been written about that, and we're benefiting from that.

But I also think our engagement in our social channels has been very, very strong. And you may have seen some of the more recent activity over the past quarter. Some of that planned and some of that unplanned. And that certainly is resonating. Those younger consumer guests are seeing that, and I think we're benefiting from that as well.

Operator

Your next question comes from the line of Brian Vaccaro with Raymond James.

Brian Vaccaro
Raymond James & Associates, Inc., Research Division

Thank you guys on the meaningful comp acceleration at Cheesecake. Could you provide a little more color on the monthly cadence that you saw through the quarter? And Matt, maybe you could give us the mix and price dynamics. But beyond just some quantification, could you provide a little more color on the levers that you're pulling in social media channels specifically? And any metrics you can share around social media engagement, impressions, et cetera, to help us frame how much that could be up year-on-year?

Matthew Clark
Executive VP & CFO

Sure, Brian. This is Matt. I'll start with some of the data side of it. Specifically in the quarter for Cheesecake, pricing was 3.0%. Traffic was a positive 2.7% and then mix was almost 0, it's 0.1% positive. So pretty much balanced out.

With respect to the trends throughout the quarter, we did see a modest acceleration in the back half compared to the first half, which I think also speaks to what David Gordon was saying about the positive flywheel and not just being based on the launch of the app and the free giveaway, which ended in early May. And so we exited at a better rate than what the average is. And our expectations in the guidance that we provided calls for that slightly elevated rate to continue through the third quarter.

And I think some of that also has been aided by, as you mentioned, the viral activity on social media. We have seen data points that on a unit basis, were well above the average in casual dining, maybe 2 to 3x in terms of mentions on social media. And so certainly, that's playing a part, David. I don't know if there's other components, but we know that we've had a couple of hit products out there that people might have seen. One of them is named after Linda Candiotti, who's a famous executive with the company and been with David for all these years. And it's about eating her fudge cake with your hands in the car. And it sounds a little bit corny, but it drives real traffic. We can measure that, and we're seeing it across a couple of other menu hacks as well. So it is identifiable. It is measurable and it is supporting the overall trend in the business.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Yes, I have seen some of those. So thank you for highlighting that. And if I could just ask a quick follow-up just on the updated annual margin guidance. Could you just walk us through some of the key line items, COGS, labor, and other OpEx and any unusual lumpiness that we should be mindful of in either Q3 or Q4?

Matthew Clark

Executive VP & CFO

Yes. Let me start by re-reminding everybody about the Q4 gift card breakage last time. We did see some of the modeling doesn't necessarily pick that up. And so if you're comparing to GAAP, make sure you go back and reconcile on a non-GAAP table when you're doing your modeling in that regard in Q4 specifically. When you look at the overall margin for the full year, with the guidance we provided, we're taking up that four-wall improvement from previously, we said about 25 basis points. Now it's about 60 basis points. About half of the improvement coming from the commodities and about half from labor, so 30 and 30 with about flat on other OpEx.

And one of the reasons that continues to be flattish is because with the positive results that we're getting, we're taking the opportunity to reinvest in the business and continuing to build on our marketing successes. And so we'll look to invest to build even more sales in the future.

Operator

Your next question comes from the line of Andy Barish with Jefferies.

Andrew Barish
Jefferies LLC, Research Division

Nice results. And just on that last comment, Matty, are you willing to share kind of where you are on marketing expense as a percentage of sales within that line, just given it hasn't been a big focus in the past for the brand?

Matthew Clark
Executive VP & CFO

Sure, sure. We sort of think about it, Andy, and this is Matt again, in totality, right? So we don't separate out the components of it and rewards is embedded in the number, but it's about 1.2%. So over time, it has moved up a little bit. And I think also since we're growing sales, we've got a bigger opportunity there as well.

Andrew Barish
Jefferies LLC, Research Division

Got it. And then just finally, any commentary on sort of World Cup given you're in all of the markets it was and then into July, any thoughts on the momentum in the business that you're willing to share with us?

Matthew Clark
Executive VP & CFO

Interestingly, I mean, we did track this at a very, very detailed level, Andy, because we knew we were going to get the question. And there was almost no discernible difference between specific markets in totality. There were some one-off locations where clearly they were by a hotel where there were a lot of fans. But broadly across the country, the comp outperformance was in every region. And so very, very little differentiation. And we're also glad that the World Cup was done before our call because we know that it really wasn't impacting it based on the trends that we're seeing now too as well.

Operator

Your next question comes from the line of Lauren Silberman with Deutsche Bank.

Lauren Silberman
Deutsche Bank AG, Research Division

Congrats on the quarter, just really impressive comps. A lot of contributing factors, social media innovation, rewards ops. I guess when did you start to see the inflection? It's just been a material improvement with the best comps in years, and it looks like you could be implying something like 7% comps in Q3 and mid-singles in Q4. I guess am I doing that right? And it's not even just like monthly, I guess, just underlying when did you start to see the real change with the flywheel?

Matthew Clark
Executive VP & CFO

Yes. I mean this is Matt. And as David Gordon noted, there were many contributing factors. I mean if you think even going back into Q1 on a weather-adjusted basis, we were already seeing some of those results, right? Like we were improving month-to-month and on an adjusted basis, Cake would have been between 2.5% and 3%. And so clearly, the momentum had already started.

I think it's fair to say then that the launch of the app was a catalyst and because it drove significant downloads early on, I think we were like #3 on the app list for a day behind just a couple of the massive AI companies. And that was a piece that I think rippled through for a period of time. But it was very closely aligned with the timing with some of the social activity and some of the new media campaigns that we did.

So I don't think that I would single it out only, but that in totality, it was a highly orchestrated effort by our company to get that inflection point. And like I said about the quarter, we did see a modest acceleration in the second half. And so all of those initiatives are sticky, right? It wasn't just the free slice of Cheesecake, now we're seeing increased number of reservations. We're seeing increased activation amongst that, we're still acquiring new guests through the app. So I think it really was in total.

Lauren Silberman

Deutsche Bank AG, Research Division

Great. Your stock is also outperforming some of these AI companies. So kudos to that. And then just a follow-up, I guess, are you guys ordering anything -- or are you seeing any differences in how customers are ordering from your menu or different parts of the menu with the increased traffic?

David Gordon

President

Lauren, this is David. Really nothing unique other than maybe some outside ordering of some of those items that we talked about that are showing up in social media channels, whether that's a couple of desserts or a couple of entrees that have been very popular over the past month when people are sort of hacking those items, we see some of that activity. But outside of that, ordering patterns are very consistent. Dessert as a percentage of sales, very consistent, beverage incident rates consistent. So consistent in restaurant across daypart and really across geography.

Lauren Silberman

Deutsche Bank AG, Research Division

Great. And then just final one from a mix perspective, now back to kind of flattish. Is that your expectation as we think through the back half of the year?

Matthew Clark

Executive VP & CFO

Yes. I would say that's right. And going back to the menu ordering question, as we've increased even the number of Bites offerings, we've seen that incident rate move up. And so that's been a real positive. As we've noted before, I think it's very interesting, we're at 3% pricing, but in effect, it's a little bit under 2% based on the price points of the bowls, but it's being completely made up for on a one-for-one basis with the increased ordering rate of Bites. So working exactly as we had hoped and planned it would.

Operator

Your next question comes from the line of Drew North with Baird.

Drew North

I wanted to ask a follow-up on Cheesecake Factory and maybe a follow-up to Lauren's question on how we should be thinking about pricing in the back half, maybe between Q3 and Q4? And maybe bigger picture, if the traffic momentum in the business would change how you think about the opportunity to reinvest in the consumer by pricing further below inflation, maybe exiting this year or into next? And any perspective on your philosophy there would be helpful.

Matthew Clark
Executive VP & CFO

Yes. So we'll be just under 3% in Q3, and that's just related to some timing year-over-year. And then Q4, we'll be at 3%. And as I noted, it's really below 2% when you think about the investments we're already making. And certainly, we'll continue to evaluate all of the options. The pricing really is only to offset the inflation, which if you look at the core costs are right in that bucket that we're at 3%.

But we take it twice a year. We evaluate the business conditions at those points in time, and we'll continue to invest in always, whether it's in price points or in marketing or making sure that our restaurants are fully staffed to execute, as David Gordon mentioned upfront.

Drew North

That's helpful. And maybe just one more from me. With you operating a portfolio of brands, I thought it might be interesting to know what insights or learnings you may be taking from the recent successes at Cheesecake Factory and what might be or might not be applicable to other brands. So maybe if you could just add some context as to what you think could work at North Italia or some of your other concepts or what might be unique to Cheesecake Factory and the recent success?

David Gordon
President

Sure, Drew. This is David Gordon. I think that's a very relevant question. We've been learning across the ecosystem of concepts for eight years now, everything from service and hospitality systems and processes that work at Cheesecake Factory that we've now begun to implement in some of the other concepts to even some of the more recent learnings at Cheesecake around the value on the menu and some of the marketing approach that we're now going to take to North and look at how we can ensure that guests understand the value propositions at North as much as I think they're starting to understand at Cheesecake Factory for the past couple of quarters.

A lot of the people practices at Cheesecake Factory are things that we've talked about and implemented with Flower Child and North as we position those concepts for growth, talked about having the right type of talent to enable growth and execute at a very high level of new restaurant openings. And -- we've had so much experience of that at Cheesecake Factory for the past 40-plus years and using those same systems and people practices have really enabled us to be ready to ramp up what we want to do at Flower Child and have some strong consistent growth because we have a long-term outlook on North Italia as well.

So those are just a few areas. I could go on with supply chain and technology updates. I think we've done a really good job over the past 12 months, really leveraging the scale of Cheesecake and empowering the teams at FRC to take on some of the systems and processes that we know work well for strong, consistent execution.

Operator

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

Sara Senatore
BofA Securities, Research Division

I guess maybe two questions, if I may. It seems to be the trend. I wanted to ask one about like sort of the -- again, the culinary innovation. It sounds like a lot of what you referred to are things that have been on the menu for a while, which I guess is consistent with you saying kind of the flywheel. But I wanted to confirm that, that was the case, the Bowls and the Bites, and it really has to do with more of the -- maybe some of the app or the social media attention really driving take-up for some of the menu items as opposed to something brand new.

And I guess related to that, there's sort of a view that sometimes social media attention can be transitory. Have you done anything in terms of like standing up a social media listening team or something new that kind of gives you confidence that this type of momentum can sustain? We certainly have seen that with other casual diners, but just kind of curious about the infrastructure.

David Gordon

President

Sure, Sara. This is David Gordon again. Just to remind everyone that we changed the menu at Cheesecake Factory every six months. So we put on new Bites and Bowls about six months ago, and we're launching a new menu right now. It's rolling out across the country through September, and it has some new Bites and Bowls on it, but it also has some new entree items that are in the "regular menu as well."

I think one of the things we've done for the past couple of years now when we launched Bites and Bowls was put a lot of those menu items on a separate menu so the guests could see them outside of the main menu, and that really helped with the awareness. And our plan is to continue to do that over time. And if we find delicious Bites and Bowls that we want to put on the menu, we will put them on. But we'll also search across every other category on the menu to make sure that the innovation is not just on Bites and Bowls, but it's whatever the culinary trends may be in America, we can put those items on the menu, and we're excited to be able to do that. That's been the hallmark of Cheesecake Factory since its founding.

As far as the marketing team, we have a very strong foundation today of social listening, whether that's within our own internal team or external teams that we have in place that are listening to what's being set out there about Cheesecake Factory, reinvesting in that conversation to keep it going in the ways that we think are most valuable for us and not just resting on our laurels or any one point in time of something being the hot topic for any particular month or particular quarter. We think that we have a very strong team in place to continue the conversation and make sure that it's resonating with guests, and we're getting the type of attention and awareness that we think will continue our success moving forward.

Sara Senatore
BofA Securities, Research Division

Great. Sorry, just on the trends, I guess, any thoughts on macro? I know Matt has in the past kind of talked about the environment feeling better or worse or where you've seen maybe slower -- hard to think that it might be slowing given your trends, but any thoughts on that would be helpful.

Matthew Clark
Executive VP & CFO

Yes. I think that the environment is better than we anticipated when we started the year. The underlying job growth has been stable enough to keep unemployment at the same rate. I do think there is a little bit of inflationary pressure, and we still adhere to some of the commentary around a K-economy and certainly our concepts, Cheesecake Factory particularly benefits from a higher consumer than average.

I also think though, it's just a very bifurcated performance environment where if you're executing well, you have strong business fundamentals, you have your key operations teams in place to deliver on the promise to the guest and you have innovative menu and marketing that there is share to be taken. There's opportunity there. And I think we're benefiting from all of those things because it's not a high-growth environment. It's just maybe a little more stable than we had anticipated.

Operator

Your next question comes from the line of Brian Harbour with Morgan Stanley.

Brian Harbour
Morgan Stanley, Research Division

Curious what like the rewards program, like what the usage is there? And also, I guess, the app more recently. Are there any stats you could provide around percent of customers that are using those or anything you could say about that?

David Gordon

President

Brian, this is David. Unfortunately, we're still not talking about any specific numbers. Fortunately, we feel really good about what those numbers are. And we feel good about the level of engagement, the amount of sign-ups we're seeing, people using the app on a regular basis. So we're positive, and I wouldn't anticipate we'll be sharing any of those numbers anytime soon. We'll continue to track them. If and when that time comes, we'll certainly share them with you.

Brian Harbour

Morgan Stanley, Research Division

Okay. What would you attribute kind of Flower Child's performance to, right? It's remained quite strong, I think, much better than like the fast casual segment. But I know there's -- it's a bit of a fast casual plus type of concept. Any -- is that performance pretty consistent across the store base? Or what would you attribute that to?

David Gordon

President

Yes, that's a great question. Certainly, it's across the new markets and existing markets and really across all geographies. And -- we continue to believe that Flower Child is very differentiated from your typical fast casual that guests are appreciating the vast menu choices and also the very value-added oriented price points that whether eating a Mother Earth Bowl at $13, $14.95 or deciding to get a protein plate. I think it's meeting guests also for many different need states when it comes to going out to eat, right? It could be a quick lunch, could be sitting down at dinner. We talk frequently about the dinner mix being much more than your typical fast casual, closer to 30%, 35%, which is unique for a fast casual. The 55% off-premise mix continues to be very, very steady. The teams are executing there very, very well.

And I think the dine-in experience, the highly designed restaurants and the higher touch of service that people really, really appreciate today that we're bringing them their food. It's being served by a server. We're clearing their plates. It's being served on real plateware. I think is appreciated today that people want experiential dining even in that fast casual setting, and that's playing out at Flower Child. So we continue to be very positive on it and would anticipate that continue to be the trend over time.

Matthew Clark
Executive VP & CFO

Brian, this is Matt. The only thing I would add to that, which I think is a real positive for the growth opportunity that we see with Flower Child. In those markets where we have a little bit more densification, we actually have slightly stronger sales as the brand awareness grows and you get more repeat visitation. So we have no concerns about continuing to move into existing markets and continuing to build the brand presence in those because we see slightly better performance when we're able to do that.

Operator

Your next question comes from the line of Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

Curious if anything more to share on the new customers that you've been attracting. I know there was a question earlier on the younger customer. But curious more broadly as it relates to the new customers, anything that you would call out on how they're using the brand different than your core existing customer? And maybe it's a little early here, but do you have a sense for repeat frequency yet with that newer customer?

Matthew Clark
Executive VP & CFO

I think it's a little bit early, as you said. We are looking at the associated demographic information. But if you think about relatively speaking, the inflection being over the last 4, 5, 6 months, we're still in the evaluatory stage. I mean, as you would expect, the initial glimpses of the data show that we continue to attract an incredibly wide portfolio of guests, a wide demographic. We have increasingly higher engagement, and I think that's reflected in the trends because we are seeing slightly better frequency. We know that the new menu items are part of that and helping to drive frequency, and we know the rewards is part of that and helping to drive frequency.

But as David has noted a couple of times, while we haven't shared the exact number, a significant percentage of the app downloads are also from guests that were not in the rewards program. And so we are attracting those guests. We tend to attract higher technology savvy, higher income guests, and we would anticipate that, that's what the data will continue to show.

David Gordon
President

And as we continue to have more of that data, we'll be able to have a more personalized approach with how we're communicating with those guests in a life cycle management style to get them to repeat and come back and come visit us maybe the time when they haven't before and keep them top of mind -- Cheesecake top of mind from an awareness standpoint, and the app really allows us to do that.

Dennis Geiger
UBS Investment Bank, Research Division

Very helpful, guys. And then just a quick second question. Just within your guidance for the third quarter, I think we can maybe loosely back into it. But just given all the focus on the core Cheesecake strength, any thought with respect to maybe level setting comp expectations for the core Cheesecake brand in the third quarter, how you're thinking about that within the context of the revenue guidance?

Matthew Clark
Executive VP & CFO

Yes. I mean the back half of the second quarter modestly accelerated above what the average was, and that's essentially what's incorporated into our third quarter guidance.

Operator

Your next question comes from Jeffrey Farmer with Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

Just bigger picture in terms of thinking about the segment or the casual dining segment as a whole, which factors beyond sort of favorable income and age demographics. Do you think have really been driving some of this broader relative same-store sales strength that the segment has seen?

Matthew Clark

Executive VP & CFO

I think that the value equation in the consumer's mind has pivoted a little bit and the price points have compressed. So you see casual dining like we're doing making sure that you have a price point across all spectrums that's approachable for those guests that might have thought about a different type of occasion. And then those guests are realizing they get a full experience, right, and service in a sit-down restaurant versus potentially a drive-thru or effectively just picking it up. And so you look at the totality of that and what people want to do in their life and get those little indulgences, those little like mini vacations for an hour, that's clearly resonating across casual dining.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. And then just real quick, just bringing it back to Cheesecake for a second. It does sound like the mobile app is attracting both new customers for you guys and probably driving some increased frequency from some of your existing customers. But was there anything about the mobile app launch that surprised you, either positively or negatively here through the first four months of the launch?

David Gordon

President

Jeff, I don't think we would have expected on the day we launched that we would have been one of the top three downloaded apps right next to some of those AI companies. So we're pleasantly surprised by that. Outside of that, I think the rewards program really being in year three has told us that there is an affinity for Cheesecake that we've always known is out there. And the more we talk about it and the more people hear about it, it continues to just grow and grow and grow. And I think the app has proved that out.

We've launched rewards with more members than we would have anticipated when we first started. The same thing has happened with the app. And I think after 45-plus years, Cheesecake Factory continues to be more relevant today as an experiential dining leader with made-from-scratch food that people really appreciate. It's just working very, very well. And people -- to Matt's point earlier, people really appreciate what Cheesecake is offering today as much as they ever have. And I think we're executing against that really, really well.

So -- the launch of the app was a pleasant surprise, but rewards told us that we were going to have a high level of engagement. So it was good to be a little surprised, but we were expecting it to continue -- we expect it to be strong, and we would continue to -- expect it to continue to be strong, excuse me.

Matthew Clark
Executive VP & CFO

And Jeff, this is Matt. Just one more note on that, just a shout out to our IT and marketing and finance teams for working collaboratively on an app that's getting tremendous reviews. So the amount of focus on the details, the flow, the guest experience is very, very strong. And so we took a lot of time to make sure we got it right, and I think we did.

Operator

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

John Ivankoe
JPMorgan Chase & Co, Research Division

At least from our observation, some of the products that we've seen go viral, in some cases, they're 20 years old on The Cheesecake Factory menu, which is just fascinating to me. So obviously, you guys continue to talk about menu innovation and going to where the consumer is in terms of new products. But how does that kind of inform you in terms of where the menu should go? I mean could we potentially do more by, I guess, adding more to the menu, in other words, expanding the menu? Or might there be an opportunity to kind of get back to maybe an original core, whatever that is and get the same or even more with even less. So when we kind of think about a menu either expanding and contracting and various kind of opportunities on either side that you might get from that, how do you kind of envision the future of The Cheesecake Factory menu?

David Gordon

President

Thanks, John. That's a great question. First time anyone's ever asked us to put more items on the menu. So thank you for that.

John Ivankoe

JPMorgan Chase & Co, Research Division

I postulated both. So for that.

David Gordon

President

We know that. I think that the breadth of the menu is very, very strong. And you're right, the items -- a couple of the items are items that have recently become more popular that have been on the menu for 20-plus years. I think you never know what's going to just catch on. What we can do is continue to put compelling menu items on, compelling portion sizes, compelling value and a wide variety of different types of cuisine. And I think that, that just widens the pool of what potentially could become something that's more popular than we expected. We would never narrow that. That's something we've been saying for a long time, right? We would never make the menu smaller. We want to make it consistent to execute, but have as much variety that there's never a [veto vote]. And I think there's always going to be something on that menu that could become viral.

There were some new things we heard about today that are also menu items that have been on the menu for a long time. So hopefully, that will continue. Our goal is just to put delicious menu items on the menu because if it goes viral and it's not delicious and it's not fantastic and not executed well, it will make no difference. So we're focused on putting delicious items on and executing against that really, really well.

John Ivankoe

JPMorgan Chase & Co, Research Division

And I think a direct follow-up on this. So a lot of the call has been about social and digital type of marketing, including obviously, your app, social media, what have you. Do you have an opportunity to go back and use traditional paid media for people that don't necessarily consume their media on the social media platforms? Is there an audience that might be receptive to kind of going back to the other side of top of the funnel type of marketing to perhaps drive even more awareness and usage of the brand?

David Gordon

President

Sure. I don't think it's an either/or. I think it's an and. I think we are still doing some traditional work, and we will always do that. There are different core audiences for all these different touch points. So although we may be a little louder in the social channel today, we haven't gone away from what we've traditionally done over time. And since we have such a broad base of consumer from those 15-year-olds to 80-year olds, we want to make sure we're touching all those funnels all the time, and we'll continue that approach.

Operator

Your next question comes from Jim Salera with Stephens.

James Salera

Stephens Inc., Research Division

I wanted to ask a follow-up on Brian's earlier question on Flower Child. Are you able to give us the comp breakdown for the same-restaurant sales at Flower Child with a particular eye on how much traffic is contributing? And as a second part to that, you mentioned the AUVs are up to like $5.3 million on an annualized basis. Can you contextualize what the upper band of the restaurants are doing just so we can help think about the additional upside from where we are today given the strength?

Matthew Clark

Executive VP & CFO

Sure. Jim, we'd be happy to share a couple of those details. This is Matt. The majority of the Flower Child sales are traffic. It's probably in the 8-ish percent range with the rest being 2.5% pricing and a little bit of other check average from some of the catering. So 2/3 of that number is coming from traffic.

And then the bands, we definitely have a few locations that are getting into the $6.5 million to $7 range with Flower Child. It's pretty tight. Performance is pretty tight, but those locations tend to be ones that have been around a little bit longer and just keep growing, right? So they continue to add guests over time to them. And we certainly have figured out ways to ensure we have enough capacity in our locations to get to that level.

James Salera

Stephens Inc., Research Division

Given the gap there and that most of the upside is coming from traffic, have you thought about what restaurant level margins could look like for more mature Flower Child locations given that they're already kind of above the core Cheesecake and how that might contribute to the portfolio as a whole as that brand continues to scale and grow as a piece of the portfolio?

Matthew Clark
Executive VP & CFO

Yes, Jim, this is an important point, and we've talked about this a little bit before, but we're at a 20% margin at $5.3 million. And we really look at that as the penny profit. Those two levers are driving a huge amount of four-wall profitability. And honestly, because we do have more capacity, if we continue to grow traffic and it supports margins, we'll just take less pricing to an earlier point that someone made. And so we would just invest back into the business.

We don't think there's a need to push past the 20% if we can continue to grow AUVs at this level. And we think that perhaps some of the challenges in the more traditional fast casual assembly line has been aggressive pricing. So we'll probably try to balance that out.

Operator

Your next question is from the line of Sharon Zackfia with William Blair.

Sharon Zackfia
William Blair & Company L.L.C., Research Division

I guess I'm curious, and I know you don't want to share a lot about rewards. So I'm going to maybe phrase something a bit differently. When we think about the uptick you're having at the core Cheesecake concept, is there a way to dimensionalize what you're seeing with rewards versus lapsed users or new to brand?

Matthew Clark
Executive VP & CFO

It's tough, Sharon, this is Matt, to separate them because of the sort of the coalescence of the different events. I mean, I think that it's also the sales in the quarter, obviously being pretty differentiated in the first quarter, early to say for sure. But I would say we're getting relative contributions from rewards and then also delivery has been a strength for us. It shows the same percentage, but actually, it's just a little bit of rounding. It's been better. And then some of the menu has contributed and some of the marketing. And I would say kind of on equal footing, if that's how I would dimensionalize those four factors. And then obviously, the ability to execute against that.

Sharon Zackfia
William Blair & Company L.L.C., Research Division

And then that, when I think about the implied fourth quarter comp kind of coming off a little bit from the current trend, is that just inherent conservatism? Or is there something that you think is not durable with what you're seeing right now?

Matthew Clark
Executive VP & CFO

No. I think we're just early stage. There's no point in getting ahead of our skis at this point in time. And the only thing that I would note that we've talked about before that's outside of us, too, is there's always the geopolitical risk, and we do have midterm elections coming up and the government did shut down last year. And so those things are out there.

Operator

This concludes our Q&A and our call. Thank you for attending. You may now disconnect.

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