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# The Cheesecake Factory Incorporated (CAKE) Q4 2025 Earnings Call Transcript

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## Q4: 2026-02-18 Earnings Summary

Insights



EPS of \$1.00 **beats by \$0.01** | Revenue of \$961.56M (4.41% Y/Y) **beats by \$12.67M**

The Cheesecake Factory Incorporated ([CAKE](#)) Q4 2025 Earnings Call February 18, 2026 5:00 PM EST

### 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  
Sara Senatore - BofA Securities, Research Division  
Brian Harbour - Morgan Stanley, Research Division  
Andrew North - Robert W. Baird & Co. Incorporated, Research Division  
James Salera - Stephens Inc., Research Division  
Jeffrey Bernstein - Barclays Bank PLC, Research Division  
Lauren Silberman - Deutsche Bank AG, Research Division  
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division  
Jeffrey Farmer - Gordon Haskett Research Advisors  
Brian Mullan - Piper Sandler & Co., Research Division  
Dennis Geiger - UBS Investment Bank, Research Division  
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division  
Brian Vaccaro - Raymond James & Associates, Inc., Research Division

## **Presentation**

### **Operator**

Ladies and gentlemen, thank you for standing by. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome you to The Cheesecake Factory Incorporated Fourth Quarter 2025 Earnings Conference Call. [Operator Instructions]

I would now like to turn the conference over to Etienne Marcus, Vice President, Investor Relations and Finance. Etienne, please go ahead.

### **Etienne Marcus**

*Vice President of Finance & Investor Relations*

Good afternoon, and welcome to our fourth quarter fiscal 2025 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](https://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 fourth 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 closed out the year with a solid fourth quarter, delivering stable top line performance and profitability. While the restaurant industry continued to face a more challenging operating environment, including weather-related impacts, our business remained steady with revenue for the quarter finishing within our expected range. I'm very proud of how our teams navigated through the environment and continue to deliver delicious, memorable experiences for our guests.

Our operators managed the factors within their control exceptionally well, driving year-over-year improvements in labor productivity, wage management, retention and guest satisfaction. This strong operational execution supported margins and adjusted diluted net income per share, finishing toward the higher end of our expectations. This performance reflects the resilience of our high-quality concepts and the strength of our operators.

Reflecting on 2025, it was a year of meaningful progress for our company. Despite a dynamic macro backdrop and a highly competitive restaurant landscape, we delivered strong results. Sales growth across our core concepts and the most new restaurant openings in a single year supported record annual revenue and adjusted diluted earnings per share, and our operators' consistent execution throughout the year drove meaningful profitability growth.

Adjusted restaurant level profit margins at The Cheesecake Factory increased 60 basis points year-over-year to 17.6%, with margin expansion also realized at North Italia and Flower Child. Culinary innovation remains a core strength and an important differentiator for our business. The new menu items we introduced across a wide range of categories and price points continue to resonate well with guests and support our broad appeal. These offerings reinforce the breadth and the value of our menu while keeping it relevant and competitively positioned without relying on discounting.

Turning to development. During the fourth quarter, we opened 2 Cheesecake Factory restaurants, 2 North Italia locations and 3 FRC restaurants. Subsequent to quarter end, we opened 1 Flower Child and closed 4 restaurants, including 2 Cheesecake Factory restaurants, 1 Grand Lux Cafe and 1 FRC restaurant. With 7 new restaurants opened in the fourth quarter, we finished the year with 25 new openings, delivering approximately 7% unit growth for 2025.

Looking ahead, we expect to open as many as 26 restaurants in 2026. With a strong development pipeline in place, we remain confident in our ability to achieve our development goals. We also anticipate 1 to 2 Cheesecake Factory restaurants to open internationally under licensing agreements.

Finally, underscoring our confidence in the strength and consistency of the business, we announced an increase to our share repurchase authorization and raised our quarterly dividend for the first quarter. These decisions reflect our disciplined approach to capital allocation and our ongoing commitment to returning capital to shareholders while continuing to invest thoughtfully in the long-term growth of our company.

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

**David Gordon**

*President*

Thank you, David. Through strong operational leadership and disciplined execution, our teams drove meaningful performance improvements this quarter, including continued gains in overall guest satisfaction. This progress was underpinned by our strong staffing position and further advancements in our industry-leading retention across both hourly staff and management. This stability enables our operators to reinforce the core operational standards that define The Cheesecake Factory, so our guests consistently experience the exceptional hospitality that we're known for.

As David noted earlier, our recent menu additions have been well received, and we are building on that momentum by refreshing our bites and expanding our bowl options as part of our current menu rollout. Results have been encouraging with year-over-year growth in appetizer attachment rates and improved entree ordering patterns.

Moving on to Cheesecake Rewards. We have made meaningful progress during the past 12 months, highlighted by strong membership growth and improved engagement. We've continued to enhance the guest experience while strengthening our technology and team capabilities, giving us better insight into member behavior. As we look ahead, we remain confident in the program's trajectory and we will use our expanded capabilities to further refine offers and deepen member engagement.

To support this evolution, we expect to launch a dedicated rewards app in the coming months with the objective of creating a more seamless and connected experience for our guests.

I'll now turn to sales trends. Industry sales decelerated in the fourth quarter as reflected by the Black Box casual dining index declining sequentially by 410 basis points from the third quarter. The Cheesecake Factory's comparable sales were negative 2.2% in the fourth quarter, down from 0.3% in the third quarter, demonstrating relative stability in comparison to the industry sequential decline. Adjusted annualized AUVs were \$12.2 million for the quarter, supported by an off-premise sales mix of 22%, a slight improvement from recent quarters.

North Italia fourth quarter annualized AUVs totaled \$7.6 million. Comparable sales declined 4%, reflecting broader industry sales trends, continued pressure from sales transfer related to recently opened restaurants as well as the lingering impact of the Los Angeles fires. We remain focused on disciplined operational execution and investing in our people. With manager and hourly staff retention remaining near historical highs, we are confident in our ability to compete effectively in a more challenging and competitive environment.

In the fourth quarter, we opened 2 new North Italia restaurants to strong demand with aggregate average weekly sales exceeding \$182,000 for an annualized AUV of over \$9 million. These results reinforce our confidence in the significant demand for an on-trend contemporary Italian concept like North Italia. Restaurant-level profit margin for the adjusted mature North Italia locations was a solid 17.5% for the quarter, bringing the full year average to 17%, right at the midpoint of our long-term objective of 16% to 18%.

Flower Child continued to perform exceptionally well and meaningfully outpaced the fast casual segment. Fourth quarter comparable sales increased 4% for a 2-year comp sales increase of 15%. This strong sales performance translated into annualized AUVs of \$4.3 million for the quarter and \$4.6 million for the full year. Restaurant level profit margin for the adjusted mature Flower Child locations was 17.5% for the fourth quarter, bringing the full year average to an impressive 18.5%.

And lastly, we expanded our FRC portfolio with the opening of 3 new restaurants in existing markets, including a Culinary Dropout and a Henry. All 3 restaurants opened a strong demand with average weekly sales equating to an annualized AUV of over \$8.7 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 fourth quarter results versus our expectations I outlined last quarter. Total revenues were \$961.6 million, inclusive of \$17.3 million of gift card breakage revenue as a result of a change in historical redemption patterns. Excluding this benefit, fourth quarter revenues of \$944.3 million finished within the range we provided. Adjusted net income margin was 5.1% and adjusted diluted earnings per share was \$1, both finishing toward the higher end of our expectations. And we returned \$24 million to our shareholders in the form of dividends and stock repurchases.

For the fiscal year, we delivered total revenues of \$3.75 billion, up 5% from the prior year. Adjusted diluted earnings per share increased 10% year-over-year to \$3.77, and adjusted EBITDA totaled \$354 million and we returned more than \$206 million to shareholders in the form of dividends and stock repurchases in 2025.

Now turning to some more specific details around the quarter. Fourth quarter total sales at The Cheesecake Factory restaurants were \$681.4 million, up 2% from the prior year. Excluding the gift card breakage benefit, total sales at The Cheesecake Factory restaurants were \$664.2 million. Comparable sales, which is not impacted by the gift card breakage adjustment, declined 2.2% versus the prior year. Total sales for North Italia were \$88.2 million, up 8% from the prior year period. Other FRC sales totaled \$99.4 million, up 17% from the prior year and sales per operating week were \$139,100.

Flower Child sales totaled \$45.5 million, up 19% from the prior year and sales per operating week were \$83,400 and external bakery sales were \$17.2 million.

Now moving to year-over-year expense variance commentary. Specifically, cost of sales decreased 70 basis points with 40 basis points attributable to the gift card breakage benefit to revenue, with the remainder primarily driven by favorable commodity costs and mix shift, partially offset by higher beef costs. Labor as a percent of sales declined 40 basis points, with 60 basis points attributable to the gift card breakage benefit.

The remaining difference was primarily driven by higher group medical expenses, partially offset by the continued improvement in retention, supporting labor productivity gains and wage leverage as well as lower payroll taxes. Other operating expenses declined 20 basis points, with 50 basis points attributable to the gift card breakage benefit, partially offset by timing of marketing spend. G&A as a percent of sales increased 70 basis points, primarily driven by the write-down of gift card inventory.

Depreciation increased 10 basis points from the prior year. Preopening costs were \$9.4 million in the quarter compared to \$7.6 million in the prior year period. We opened seven restaurants during the fourth quarter versus nine restaurants in the fourth quarter of 2024. The year-over-year variance reflects differences in the mix of concepts opened during the respective quarters. And in the fourth quarter, we recorded a pretax net expense of \$24.6 million related to impairment of assets and lease termination expenses, FRC acquisition-related items, gift card breakage and gift card inventory adjustments. Fourth quarter GAAP diluted net income per share was \$0.60. Adjusted diluted net income per share was \$1.

Now turning to our balance sheet and capital allocation. The company ended the quarter with total available liquidity of approximately \$582.2 million, including a cash balance of \$215.7 million and approximately \$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 convertible notes due June 2026 and \$575 million in principal amount of convertible notes due 2030.

CapEx totaled approximately \$25 million during the fourth quarter for new unit development and maintenance. During the quarter, we completed approximately \$11.2 million in share repurchases and returned \$12.8 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 Q1 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 Q1, we anticipate total revenues to be between \$955 million and \$970 million. This includes the estimated impact of inclement weather experienced so far in the quarter and 4 restaurant closures that occurred toward the end of January. These closures included 2 Cheesecake Factories, 1 Grand Lux Cafe and Blanco.

Next, at this time, we expect effective commodity inflation of low single digits for Q1 as our broad market basket remains very 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 approximately \$63 million to \$64 million. Depreciation is estimated to be approximately \$28 million. We are estimating preopening expenses to be approximately \$4 million to \$5 million. Based on these assumptions, we would anticipate adjusted net income margin to be about 5% at the midpoint of the sales range provided.

For modeling purposes, we are assuming a tax rate of approximately 5% to 6% due to the timing of certain discrete items in the quarter 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 \$3.9 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% at the sales estimate provided.

For modeling purposes, we are assuming a tax rate of approximately 10% and weighted average shares outstanding relatively flat to 2025.

With regard to development, as David stated earlier, 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, we delivered solid financial and operational performance for both the fourth quarter and full year, reflecting stable top line performance and strong execution. We also generated a record adjusted EBITDA of \$354 million, reinforcing the consistency of the business and supporting disciplined growth and increased capital returns to our shareholders.

Our portfolio of high-quality concepts, seasoned operators and financial position provide a solid foundation as we look ahead. As we move forward into 2026, we remain focused on 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]

And your first question comes from the line of Andy Barish with Jefferies.

### **Andrew Barish**

*Jefferies LLC, Research Division*

Just wondering if you can kind of update us on sort of the go-forward structure with FRC and kind of changes you've made there and what's going on with management team and such?

### **Matthew Clark**

*Executive VP & CFO*

Sure, Andy, it's Matt. Thanks for the question. Appreciate it. Well, we're, first of all, really pleased with the overall performance of the business unit out of Phoenix. All of the lines of business are meeting or exceeding our expectations. And I think we'll all look back on this being one of the most successful restaurant acquisitions. It's right now, it's steady as it goes. I think as you know, we put someone in place from Cheesecake to work with the team there in a senior operations role, and that continues to go excellently. And we'll continue to look at opportunities to add benefits via scale or expertise in operations. And at the same time, we'll continue to look at that team to innovate and incubate the way that they have.

So I think we're really pleased with where things are at, and we'll continue to try to create value through all of those concepts.

### **Operator**

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

### **Sara Senatore**

*BofA Securities, Research Division*

The first question is, you mentioned strong execution that supported margins. I guess given the restaurant level margin was quite healthy and also that you've seen, I think, a positive response to some of your maybe more accessible price point additions to menus. Is there an opportunity to invest in value or at least to sort of market value more centrally as you communicate with your consumers? Just something we've seen is other casual diners kind of emphasizing abundant value or quality value, just given it looks like you have a little bit of room on the margin. And then I do have a quick follow-up.

**David Gordon**

*President*

Sure. Sara, this is David Gordon. Thank you for the question. Certainly, we're very pleased with the reception the bites and bowls have gotten across all of the restaurants. And when we rolled those out, we did roll them out with a little heightened sense of awareness. We put them on a separate menu card, so guests could see them right away. We marketed them a little more clearly in all of our social channels. And I think that's one of the reasons we had such great awareness. And we're seeing strong attachment rates because they do provide great Cheesecake Factory value. And that value comes certainly in the price point on the bowls, but also on the portion size on the bites and bowls that are great for sharing. We're seeing people attach the bites to their check.

As we look to continue to roll out the menu, which we're doing right now, we have some new bites and bowls that are happening. So we're going to lead into that value wherever we can and maybe move some of those items into the main menu and create another menu card so that we have that heightened sense of awareness for guests that are dining in or through our social channels.

**Sara Senatore**

*BofA Securities, Research Division*

Great. And then just to confirm the North Italia same-store sales, I guess, it is more of a housekeeping. I think last quarter, you said sales transfer was maybe 2 percentage points and the fires were 1. Are those roughly the same magnitude? And similarly, the daypart mix, more weakness in the lunch, are all those factors kind of consistent in the fourth quarter as well?

**Matthew Clark**

*Executive VP & CFO*

Yes. Sara, this is Matt. I would say, yes, that's very true. And I think the positive news there, though, is that as we're midway through the first quarter, we're seeing evidence that there was truly the cannibalization in the fire as the comp is recovering. So positive there. Just to double down on what David Gordon said, I think the strategy is working on menu innovation. We said we would see some negative mix. We did. But in both December and now again in January, we're seeing incident rates year-over-year growing. And that means the guests are coming in and seeing tremendous value, right, because they're ordering those items at a higher rate. So I think we're doing everything we thought we would do, and it's working.

## **Operator**

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

### **Brian Harbour**

*Morgan Stanley, Research Division*

Matt, just a quick one. Give a rough estimate for kind of how much the weather impact was in this current quarter?

### **Matthew Clark**

*Executive VP & CFO*

You're talking about Q1, Brian, just to confirm.

### **Brian Harbour**

*Morgan Stanley, Research Division*

Yes. Like how much is factored into your guide?

### **Matthew Clark**

*Executive VP & CFO*

Yes, for sure. So what we did is to really look at it on a net basis because clearly, every year, there's increment weather. And right now, the weather to date through Q1, we believe, is about a 1% net impact -- negative net impact on the entire quarter. So that assumes no more weather impact. We did see some record closures. I think we probably had 120 restaurants closed on the peak day. So it was pretty profound. And so yes, so that's built into it, though.

**Brian Harbour***Morgan Stanley, Research Division*

Okay. Understood. What you talked about kind of evolving the bites and bowls. What's done best on that menu? How are you sort of shifting that? Or what are you seeing customers gravitate to?

**David Gordon***President*

I think everything has been very, very popular, to be honest. So it's not one particular item, but a couple of the bowls have done very, very well. All the bites have done well. So that large menu variety is what people love about Cheesecake Factory, and they seem to be enjoying the bites and the bowls the exact same way.

**Matthew Clark***Executive VP & CFO*

I personally think the trouble fries are the best, Brian.

**Operator**

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

**Andrew North***Robert W. Baird & Co. Incorporated, Research Division*

I wanted to circle back to your comments on the broader consumer environment. You highlighted the slowdown in industry trends from Q3 and volatility in Q1 to date, particularly due to weather. So at this point, when you look at the business from an underlying perspective, do you believe you've seen any fundamental change in the consumer spending backdrop at this point? And maybe what do you believe has caused some of the softer industry trends in recent months?

And then maybe just what does your current outlook for the balance of the year contemplate as it relates to the external environment, given all the puts and takes out there?

**Matthew Clark***Executive VP & CFO*

Sure, Drew, great question. This is Matt. I think if I dial back to our last call, I think we gave some color on why we think the consumer sentiment would be soft for the fourth quarter. And if you kind of think about where the comp came in for Cheesecake, we said we thought it would be about a 1% delta in terms of real performance from Q3. We had about 1% of weather impact in Q4 and about 50 basis points of a holiday shift impact. So pretty much right where we would have anticipated it to be.

Again, many factors in terms of whether you want to believe it's the K economy or the government shutdown. And we have a lot of historical data to understand those trends. I do think coming out into the first quarter here that our performance is notably better. And I think the environment, I don't know. I can't really speak to other companies. But I think our performance, if you interpolate the guidance, is more like what we saw in Q2 of last year. And so it feels like while we felt maybe it was a 2-quarter event, it's more like a 1 quarter at this point in time where we sit today.

And so that's what our full year guidance also expects is that where we kind of are seeing it in Q1, which is pretty steady and pretty good across all of our concepts will continue through the balance of the year.

## **Operator**

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

## **James Salera**

*Stephens Inc., Research Division*

I wanted to circle back on the bowls and bites. You mentioned that you're seeing attachment with those. And I was hoping maybe you could help us break out on Cheesecake, the traffic and transaction in the quarter but particularly with an eye to the mix component. Should we expect to see mix as kind of a continued headwind as we roll into FY '26 as we kind of balance maybe some greater attachment but the lower check size from the bowls and bites and maybe that drives some transactions as well?

## **Matthew Clark**

*Executive VP & CFO*

Sure, Jim, this is Matt. So Q4 pricing was about 3.5% to 4% and mix was a negative 1.8% and then traffic was the delta from that. So as anticipated, we still did see some negative mix. I would say, though, that's a full quarter number, and we had just rolled out the new menu items really ending in early September. So we didn't have a lot of traction if we think about our average guest comes once a quarter.

So as I noted, I think just importantly, what we saw in December and now again in January is an actual improvement year-over-year in incident rates. So some of the pricing investment will be offset by increased ordering. So we do think that the negative mix will continue, but at a lesser rate as we progress through the year. Importantly, too, as we look at January, when you look at alcohol plus nonalcoholic beverages, it was almost a breakeven on incident rate.

So I think it's really guests are coming in and getting that full Cheesecake experience. So I don't know, we're kind of saying, if you think about the guide, probably a negative 1% for the year on a mix perspective based on continuing to roll out the bowls and the bites, but getting some positive on the order rate.

**James Salera**

*Stephens Inc., Research Division*

Okay. Great. That's very helpful. And then just a follow-up as we think about some demand drivers in '26. I know there's been a lot of conversations around incremental demand from people getting tax refunds, larger-than-expected tax refunds. Do you have any kind of historical data that you can look at when there were big refund seasons in the past. Is that something that actually tends to show up in the restaurants? Or is that maybe just more of the talking point than a reality from what you guys see on the ground?

**Matthew Clark**

*Executive VP & CFO*

Yes. I mean I think great companies control their destiny, Jim. And so we don't really ever count on getting any benefits from the tax refund. I think what we're seeing in our performance, given also that it started way before that, is that the improvements are based on our execution and our menu innovation and the things that we're doing. And just normally, given the income cohort associated with most of our portfolio, I just don't think it's as pronounced and we haven't seen nor do we see correlations to gas prices, things like that either.

**Operator**

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

**Jeffrey Bernstein**

*Barclays Bank PLC, Research Division*

Great. My first question is just on the restaurant margin, specifically around what your assumptions are for the quarter and the year. It does seem like now all the 3 brands that you're reporting are comfortably sitting in that 17% to 18% range. Just wondering how we should think about that as the portfolio and by brand? Any puts and takes in terms of how that should play out as we look through '26? And then I had one follow-up.

**Matthew Clark**

*Executive VP & CFO*

Sure, Jeff. This is Matt. Thanks for the question. Let's just start with the full year. I think as we set out our guidance last October, we're happy to say that we're right on plan, 25 basis points of 4-wall margin is our expectation for the restaurant levels. A little bit of pressure in G&A. As we know, we gave some specific guide there, really just accounting. We've had tremendous retention in the restaurants. We've also had tremendous retention at corporate. And so there's a thing called a forfeiture rate with the equity comp that will true up a little bit, but it's really sort of nonoperating, but it hits the P&L. And then all the other pieces kind of net out.

So a very, very clean outlook for us. The caveat comes on a quarter-to-quarter basis. Obviously, other OpEx can be a little bit bumpier in the first quarter, again, the 25 basis points coming in cost of sales, a little bit of pressure on labor and lapping group medical. But really, the difference there is about 50 basis points in other OpEx, which is timing of marketing spend and some utilities. And then you can do the math on the preopening and other pieces. So pretty much a flattish year-over-year net income guide and that slight improvement for the full year. So...

**Jeffrey Bernstein**

*Barclays Bank PLC, Research Division*

Got it. And my follow-up was just on the menu pricing. Obviously, the flip side to the greater emphasis on value. But I think you mentioned that The Cheesecake was running price in the 3.5% to 4% range. Maybe just quantitatively, what are you expecting as we run through this year and qualitatively, your confidence in being able to take whatever particular lever you're targeting or maybe that's a gross amount and you expect that on a net basis, you won't necessarily pass all that through. But just conceptually, how are you thinking about that pricing and actually what will that pricing be?

**Matthew Clark**

*Executive VP & CFO*

Yes, Jeff, it's Matt. So this year, Cheesecake will be about 3%. So we're bringing that down, which I think, number one, we saw the inflation numbers where food away from home is still at 4%. And to your point, we're investing in lower price points on an average basis. As I said, maybe that's 100 basis points of negative mix.

So we look at that as probably an effective 2% if you combine the mix and the price together, which is going to be well below where the industry is. And we're aided there by -- while beef is higher, it's not as big of a piece for us and dairy is measurably lower. So our market basket, I think, is aiding us in that endeavor. And I think we feel like that's definitely an achievable level, and we have that pricing power based on where we're seeing the sales trends today, the attachment rates today, the guests are perceiving value there.

**Operator**

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

**Lauren Silberman**

*Deutsche Bank AG, Research Division*

You called out the 4 closures to date. Were these all anticipated and any other closures that are anticipated for the balance of '26?

**David Gordon**

*President*

This is David Gordon. Yes, they were all anticipated, and we don't anticipate any future in 2026.

**Lauren Silberman***Deutsche Bank AG, Research Division*

Great. Just on the comp side, are there any callouts in terms of differences across regions or dayparts? And I guess in the markets that haven't been impacted by weather, are you seeing trends hold up pretty stable?

**Matthew Clark***Executive VP & CFO*

Well, this is Matt. It's a little complicated because weather has been everywhere. I feel like -- and so you have to really slice it. I mean, California has had the rains at different points in time, and we had much more southern weather impact than we normally do. I would say, generally, the overall business has been predictable. I mean I think we were in the range we expected to be in despite a little bit more weather.

Right now, we feel good about the guidance that we're giving. And all of our regions, I think, are doing well. So you're going to have those sort of hits and misses based on whether it's school holidays or whatever those schedules are, but nothing that I would call out specifically.

**Lauren Silberman***Deutsche Bank AG, Research Division*

Okay. Great. And then just final one, going back to North, how are you thinking about comps for that business into '26? I know there's the cannibalization dynamics. Do those continue? Any differences in where new units are expected to open?

**David Gordon***President*

So the new units specifically are about 50-50 in new and existing markets. So we continually evaluate where any potential cannibalization might be as we look at any new sites and would anticipate for this year, probably a little bit less than we had with the openings that were a little more impactful for the past 12 months that we've seen. And our goal is to get North a little bit more stabilized than it has been, probably a little more impacted versus Cheesecake and more in line with the rest of the industry.

So in North, we continue to be working also on menu innovation, working a little bit on that lunch daypart because that was where we felt a little bit of the pressure over the past few quarters and continued bar innovation as well. We've seen a nice little comeback in bar incident rates at North, which is good. It's an important part of the concept. And our bar mix is about 23% have been very, very stable. So we're working on innovation in that area as well as we believe they continue to be very relevant to the concept.

**Matthew Clark**

*Executive VP & CFO*

Just for modeling, I think, like I said, we've seen the impacts of the fire and the cannibalization rolling off. And it kind of assumes sort of like more like first half of last year's performance in our model.

**Operator**

Your next question comes from the line of Christine Cho with Goldman Sachs.

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

So David, you mentioned your plans to launch the dedicated Rewards app in a few months. Could you elaborate a little bit more on the time line and if you have any planned marketing investments around the launch?

**David Gordon**

*President*

Sure, Christine. Our goal would be to get it launched in the second quarter. I think that we're feeling pretty confident that, that's going to be the case. And we will launch it with a strong social media presence, what we think will be a nice strong offer for people to download the app onto their phone and probably a little bit of in-restaurant marketing as well.

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

Okay. Great. And then in the last quarter, I think you've called out some regional trends coming from the government shutdowns. Has that normalized as you exited the quarter?

**Matthew Clark**  
*Executive VP & CFO*

Yes. I think we've seen pretty stable performance across the portfolio, again, ex the weather, which everybody is seeing in different times at different places.

**Operator**

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

**Jeffrey Farmer**  
*Gordon Haskett Research Advisors*

Matt, just as a follow-up, I think you referenced that Q2 '25 same-store sales were roughly plus 1%. Were you saying that plus 1% is the implied 2026 same-store sales number? Did I get that right or wrong?

**Matthew Clark**  
*Executive VP & CFO*

That's right. If you do the math, that's about where you're going to come into. That's right.

**Jeffrey Farmer**  
*Gordon Haskett Research Advisors*

Okay. And then just following up on the Rewards app launch. Tougher question, but in terms of setting an expectation level for us, how impactful could this be to visit frequency, average check, whatever metric you want to point to, just how meaningful could this be from what you guys have understood?

**David Gordon**  
*President*

Sure, Jeff. This is David. I think that our goal is to continue to make members' experience as seamless as possible and give them as much value as they can as members. So I wouldn't anticipate we're going to share any of those finer details in the near future, just like we haven't in the recent past, but we're going to be very focused on the app, making the guest experience easier. So easier access to reservations for them, being able to see things like their order history, repeat their order history for off-premise, and we're excited to get it going in Q2. And if and when we start sharing any of those numbers, we'll be sure to share them on one of these calls.

## **Operator**

Your next question comes from the line of Brian Mullan with Piper Sandler.

## **Brian Mullan**

*Piper Sandler & Co., Research Division*

Question on Flower Child. Wondering if you could just talk about the vision here over the next several years. What have you learned about the formats and locations that work best for this brand? How much can you standardize that versus kind of needing to customize based on the location? And just as a part of all that, what would you need to see to really start to ramp that development pace above the 6 or 7 for this year?

## **David Gordon**

*President*

Sure, Brian. That's a great question. Certainly, we are enthusiastic and very pleased with the performance of Flower Child. It continues to exceed expectations in new and existing markets, which I think is very promising as we moved into new markets, even when there has been no Flower Child within miles or states, the reception has been very, very strong.

So it's resonating with consumers, I think, for a few reasons. One, it's very healthy on trend and delicious. And it's an experiential fast casual dining experience. It's not transactional. And today, we continually say that we believe all of our guests are looking for experiences versus transactions. And then the operations team really has put in place a lot of systems over the past 24 months to enable consistent execution. There's probably a little bit more of that to go.

But up to this point, the guest experience when we look at the type of reviews we're getting in social media or even just through our own channels are very, very positive, and that's because of the consistent execution. So we feel good that -- the concept is certainly in a place where we can accelerate. The only thing that's holding us back from going a little bit faster than maybe a 20% growth rate would be we want to make sure we have the right people power in place. And we need the right leadership at the GM and executive chef level to open up those very busy fast casual units and do it really, really well for consistent brand execution that's most important to us.

If we're able to ramp that up over time, could it be a little faster than 20% eventually? Perhaps. But for now, in the near term, we feel confident in that 20% number, and that's what we're most focused on.

## **Operator**

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

## **Dennis Geiger**

*UBS Investment Bank, Research Division*

I appreciate the commentary on mix. Matt, I just wanted to confirm, did you say how much of the mix pressure was folds and bites versus group order versus maybe alcohol and dessert in the quarter? I know you spoke to alcohol for January. But just in the fourth quarter, is there a breakdown by bucket as far as the mix impacts go?

## **Matthew Clark**

*Executive VP & CFO*

Dennis, I didn't provide specifically, but my qualitative commentary would be we saw alcohol stabilize. Dessert was very steady. So we know where most of it is coming from. But I don't have the exact number in front of me, but we know those macro trends would indicate that a lot of it is coming from the pricing differential of the new product.

## **Dennis Geiger**

*UBS Investment Bank, Research Division*

Got it. Very helpful. And then I guess just -- I assume it's a similar answer. But just on the '26, as you think about maybe a best guess of that down 1 mix, is that the same largely from the new products on the bites and bowls, more so than like a group order dynamic, et cetera, as you think about that estimate for '26?

**Matthew Clark**  
*Executive VP & CFO*

Yes, that's right. Exactly. So I mean there's an offset from the pricing, but as you start to see the order rate pick up, it kind of neutralizes some of it. So that's what we're anticipating.

**Operator**

Your next question comes from the line of Rahul Kro with JPMorgan.

**Rahul Krotthapalli**  
*JPMorgan Chase & Co, Research Division*

You guys are very early on DoorDash, and I believe with the exclusivity, there has been a lot of discussion in the industry around some -- and also across some of your peers on how you want to rethink fees, menu pricing and whatnot. Can you give some detail on how you guys are thinking about this? And also remind us on where the delivery mix is today?

**David Gordon**  
*President*

Sure, Rahul. This is David Gordon. Great question. You're right. We certainly have been in a long-standing relationship with DoorDash. It's been a terrific relationship. And that relationship has allowed us to leverage, I think, what's great about the value of Cheesecake Factory's menu and pricing and not take extra price, which many of our competitors have had to do in the delivery channel.

So that would be our intent moving forward. We'd like to not have to take any more price than we take today, which is only about 2% to 3% versus the in-restaurant menu. When we look at total off-premise for Q4, it was 22% of sales, up about 1% from Q3. And that mix of that 22%, 10% is delivery and the rest is split relatively evenly through online ordering and phone pickup. So that's been very consistent. Those numbers have been very consistent, and that mix has been consistent over time.

**Rahul Krotthapalli**  
*JPMorgan Chase & Co, Research Division*

Is there any possibility that you can extend this partnership across all your other brands down the line? I believe only Cake and Grand Lux were on the initial agreement. Just any updated thoughts there?

**David Gordon**

*President*

Sure. Well, actually, all the concepts are covered in the agreement today. So everything we own is part of the DoorDash agreement today.

**Operator**

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

**Brian Vaccaro**

*Raymond James & Associates, Inc., Research Division*

I wanted to ask about the '26 unit growth. And I thought it was interesting to see Cheesecake Factory's unit growth stepping up a bit. Maybe you just could give a little bit more on the opportunity you see there and maybe level set the size of units that you're opening and kind of the AUV or unit economic targets on these units. I know there's been some successful unit openings over the years in pockets that open up, but maybe just kind of what you're seeing in terms of that outlook for '26.

**David Gordon**

*President*

Sure, Brian. So we're excited to be opening up to 6 Cheesecakes this year. And as great sites become available for Cheesecake Factory, because of the flexibility and size, everything from 6,500 up to 10,000 square feet, we can build the Cheesecake Factory at any great site. For this coming year, most of these are in that 7,000 to 7,500 square foot range for all 6 of them on average.

**Matthew Clark**

*Executive VP & CFO*

And Brian, from a returns perspective, this is Matt. We've been super happy with the sales level. They've been able to generate effectively the average AUVs and average margins. And so we're sitting right between the 20% and 25% cash-on-cash we've been targeting and feel great about the ability to continue to open at that level.

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

All right. That's helpful. Appreciate that. And then on the margin outlook, Matt, could you comment specifically on just your expectation for commodity inflation specifically? And any quarterly variability to keep in mind on the commodity front year-on-year?

**Matthew Clark***Executive VP & CFO*

Sure. Commodities would be about 2.5% or so overall and pretty steady throughout the year, God willing.

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

Knock on wood, knock on wood. All right. And then last one for me. I'm sorry if I missed it, but could you also provide the comp components for North Italia in the fourth quarter?

**Etienne Marcus***Vice President of Finance & Investor Relations*

Brian, this is Etienne. Yes, I'll give you the components here. So traffic was negative 6%, price is about 4% and the mix was negative 2% for the quarter.

**Operator**

And ladies and gentlemen, that concludes our question-and-answer session, and that concludes today's call. Thank you for your participation, and you may now disconnect.

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