



FIN498 Capstone Analysis Project

The Cheesecake Factory Inc.

NASDAQ: \$CAKE

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May 11, 2023

Student

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To whom it may concern,

A full-scale valuation and analysis were done on The Cheesecake Factory Inc. (\$CAKE). The purpose of this analysis was to understand the health of one of the largest restaurants that is publicly traded in the United States. The valuation conducted is appropriate for the date of 01.03.2023 and uses information from the years 2017-2022.

Data and research will not reflect that of the current year 2023. The Cheesecake Factory Inc. has publicized annual reports for as recent as 2022.

The strategies used in the valuation were the market comparables methodology and the discounted cash flows methodology. A football field valuation chart was constructed to conclude on final valuation of \$CAKE.

Current Stock Value: \$31.61

Estimated Stock Value: \$32.25

This valuation leads us to believe that The Cheesecake Factory Inc. is currently correctly valued on the market.

Sincerely,

Garrett Franco

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Company Overview: The Cheesecake Factory Inc.

History of the company:

The Cheesecake Factory Inc. started back in the 1940's when Evelyn Overton found a recipe in the newspaper that inspired her to create her "Original" cheesecake. As you might assume, her cheesecake was widely loved, and she decided to open a bakery. However, she let that aside and focused her time to raise her children. Then, in 1972, Evelyn and her husband Oscar moved to Los Angeles, California to revive their interest in owning a business and opened The Cheesecake Factory Bakery.

Then, her son David decided to open a restaurant and sell the cakes that her mother would make. He believed that a restaurant with a large dessert menu would be a fan favorite. He was right. The restaurant was an immediate hit and grew the company into now one of the largest publicly traded companies on the market.

Key Products:

The Cheesecake Factory offers different products which include:

Cheesecake. As stated in the company's history, the cheesecake has been the foundation of the company's offerings since the very beginning. The dessert was what allowed the restaurant to make a name for itself. In the restaurant, The Cheesecake Factory has a long list of 38 different cheesecake flavors.

Made from scratch meals. The restaurant offers over 250 items on their menu. Their meals extend from Pastas, to Seafood, to Burgers and Sandwiches. This wide offering of meals allows for all types of cravings to be eaten in the restaurant.

Alcoholic Drinks. The Cheesecake Factory has since become a popular upscale dining spot for guests to enjoy a large selection of cocktails and other alcoholic drinks.

Other Desserts. The company started as a bakery, so it makes sense that they have also expanded their dessert menu into other popular desserts such as Tiramisu, Fresh Strawberry Shortcake, Ice Cream and Warm Apple Crisp that offers customers with even more selections and reasons to dine again.

Retail Products. A big expansion in the availability of products from The Cheesecake Factory was the ability to purchase their products in retail stores. They offer whole or slices of some of their most popular cheesecakes, ice cream, bread, and premium puddings. The ability to buy these in local retail stores allows for a quick grab-and-go option to enjoy their most famous products from your own home.

Cheesecake



Alcoholic Drinks



Made From Scratch Meals



Other Desserts



Retail Products



Key Audience:

The Cheesecake Factory's key audience is easy, that is, everyone. The Cheesecake Factory truly offers a product for any craving and any event. Their upscale dining experience offers products that can suit anyone's needs. Additionally, if you are looking to enjoy their world-famous Cheesecake, it is available at your local grocery store.

Key Suppliers:

The suppliers of The Cheesecake Factory's products are popular food and beverage distributors such as Sysco, US Foods, and Gordon Food Service. These are some of the largest food and beverage suppliers in the United States and gives The Cheesecake Factory a trustworthy partnership in these companies. Additionally, The Cheesecake Factory works locally to source fresh and seasonal ingredients, such as produce and dairy products.

Key Competitors:

The restaurant industry introduces hundreds of thousands of competitors that you are always competing with. Whether upscale restaurants or your local dive bar, residents will always have an interest in the out-of-home dining experience. Thus, any restaurant that sells food is a relevant competitor to The Cheesecake Factory. Examples of publicly traded companies in the restaurant industry that were used in the market comparables valuation of The Cheesecake Factory are: Darden Restaurants, Texas Roadhouse, Bloomin' Brands, Brinker International, and Dine Brands Global.



Business Cycle:

The Cheesecake Factory's business cycle relies on many different macro-economic factors. In times of high inflation or recession, consumers are more inclined to save their money, thus they might spend less at an upscale establishment like The Cheesecake Factory. Additionally, times of more frequent celebrations, like Christmas and New Years may show heightened business for The Cheesecake Factory.

PESTEL Analysis:

- *Political*
 - Interference in the restaurant industry by the government.
 - During the COVID-19 pandemic, the government ordered a shutdown in which it prevented restaurants from opening. Thus, The Cheesecake Factory was heavily affected by political regulations.
 - Potential law changes to wages and work hours.
 - If the minimum wage increases, this is a big change that The Cheesecake Factory will have to adjust to to adhere to the new minimum wage.
 - Additionally, if there are new changes to work week regulations and hours worked, it could affect The Cheesecake Factory's staffing model.
- *Economic*
 - Recessionary times and inflation.
 - As stated earlier, recessions and times of inflation push people to save more and spend less which directly affects the amount of business that an upscale restaurant like The Cheesecake Factory gets.
 - Expansionary times and low inflation
 - Consequently, times of economic growth and low inflation will cause a spike and increase in the business that The Cheesecake Factory receives.
- *Sociocultural*
 - Marketing strategies
 - Among the few sociocultural factors that affect their business, marketing strategies employed by The Cheesecake Factory will drive the direction of the demographic they are trying to reach and the type of organizational and restaurant environment they are trying to achieve.
 - High-level management
 - The face of the company can often greatly affect the performance of the company, especially on the stock market. People like the CEO have a great responsibility of exuding the company's mission statement. Therefore, their attitude and beliefs can get in the way of the company's goal; which is why it is important to have the right person for the job.

- *Technological*
 - Online ordering system
 - Technology is important in product innovation at The Cheesecake Factory. Since the COVID-19 pandemic, there has been a massive uptick in the use of online ordering of pickup or delivery. Staying ahead of the curve and have a user-friendly website/ordering system will allow The Cheesecake Factory to reach people who may not want to come into the restaurant.
 - Product ordering
 - The Cheesecake Factory will need to continue to embrace new technology in the supply side of the business. As technology is more relevant than ever before, they must be able to stay efficient in ordering their products.
- *Environmental*
 - Weather
 - Although it is out of their control, weather is one of the simplest factors that can affect their business. Simply put, less people go out to eat when there is bad weather outside. It brings ugly driving conditions that will entice people to stay in.
 - Food waste
 - Aligning with political factors, food wasting is seen as a great issue in the food industry and can present a great challenge to The Cheesecake Factory if they are not taking initiative to reduce their food waste
 - Carbon footprint
 - Climate change and the size of one's carbon footprint is widely discussed around the world. The Cheesecake Factory must continue to minimize this footprint to not only help the environment, but to also let their customers know that they care and are aware of their effect on the environment.
- *Legal*
 - Employment laws
 - Stated as a political factor as well, any form of new employment laws such as minimum wage and work week regulations will have an impact on The Cheesecake Factory.
 - Health and Safety laws
 - Organizations such as OSHA can impact the way that business is done at The Cheesecake Factory, and it is important for them to continue to adhere to the health and safety standards in their restaurants.

Industry & Competitive Analysis:

The restaurant industry is known as the hardest industry to get into. The National Restaurant Association estimates that the success rate for all restaurants is 20%. They say that about 60% of restaurants fail in their first year of operation, and 80% fail within the first five years. There are a few active problems and potential solutions for restaurants to sustain profitability. Full Service Restaurant News lists a few of the most important factors of sustaining profitability:

1. Labor Engagement Creates Efficiency
 - a. Retention and hiring has become a large hurdle for restaurants to jump over. Potential solutions to maintain a higher retention rate and interest may look like more investment in training, increased employee communication, and greater scheduling flexibility.
 - b. Especially at restaurants, the lowest level employees can often be the make-or-break decision of retained business with customers.
2. Supply Chain Management
 - a. It was greatly seen how important that the supply chain management affects everyday business in a restaurant. Collaboration between supplier and buyer will have to become stronger to work towards the normal that businesses are used to.
3. Profitable Innovation
 - a. At its heart, tradition and style of restaurants can maintain comfortable profits for long periods of time. However, innovation in high-level management and even product lines will be very important to maintain and increase profits.
 - i. An example may look like The Cheesecake Factory's introduction of grocery store products that allow people to try their cheesecake from the comfort of their home.

Industry Structure (Porter's Five Forces):

The restaurant industry has a simple set of characteristics. Using Porter's Five Forces Model, we will break down the competitive restaurant industry.

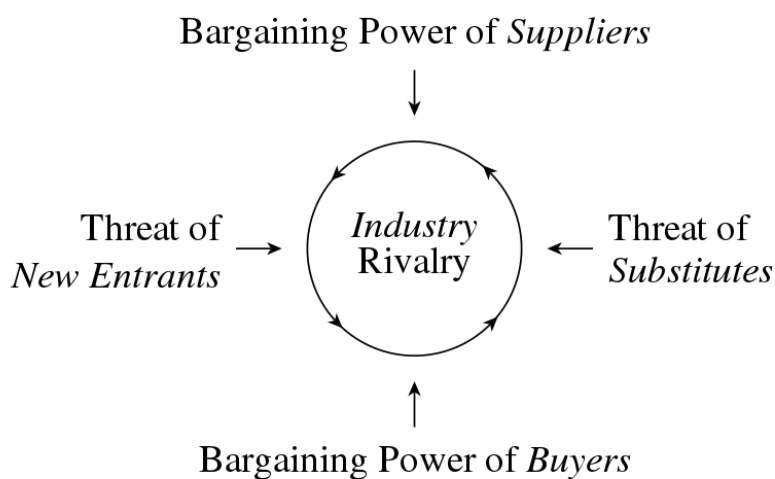
Bargaining Power of Suppliers. There are a few suppliers that hold a large majority of the most popular restaurant brands in the United States. Examples of these are Sysco, US Foods, and Gordon Food Service. Gaining a competitive edge with these suppliers is difficult for restaurants. If The Cheesecake Factory were to try and buy products for less, it will create less profit for the food distributor. Thus, the competitive edge in bargaining with suppliers will come from loyalty and bulk purchases. If The Cheesecake Factory can maintain loyalty with their suppliers and continue to buy in larger quantities, the suppliers may charge less in products or interest fees.

Threat of New Entrants. We saw earlier that entry into the restaurant industry is one of the most difficult. However, there still exists a success rate and thus a possibility for new entrants to succeed and ‘steal’ customers from The Cheesecake Factory. Therefore, innovation and constant effort to maintain customer satisfaction is so important. The Cheesecake Factory will always have its competitive edge in that of their cheesecake, but that is not to say that a new restaurant will open with an even better dessert or menu product. Product innovation is the forefront of constant growth and defense against new entrants.

Threat of Substitutes. Mentioned above, The Cheesecake Factory has its idea that put them on the map. However, who is to say that a new cheesecake bakery will not take over just like they did. Again, product innovation will be the key to defending new substitutes. They have a leg up in the power of their brand but will need to continue to evolve and stay relevant.

Bargaining Power of Buyers. Customer satisfaction is one of the biggest drivers to insuring business in the restaurant industry. When times of inflation cause prices to be raised, customers will not be happy regardless. The Cheesecake Factory’s prices must fall underneath a reasonable amount for their customers, but above the floor in which they will start to lose money. That range is very thin, and they must continue to monitor that range in an order to maximize their profits.

Industry Rivalry. Finally, this creates the rivalries in the restaurant industry. Competitors will be looking for an edge in each of the above categories to grab onto leadership of the industry. Competition fuels innovation and is better for all parties. It drives innovation, improvements, and leadership which will prevent companies from getting complacent in the industry.



Competitive Position:

The Cheesecake Factory has a strong brand recognition, customer base, menu offerings, pricing strategy, and operational efficiency. This allows The Cheesecake Factory to maintain its relevancy in the competitive restaurant industry. They have built a strong, loyal customer base by constantly separating themselves with their cheesecake offerings. There has not been another restaurant model that has been able to compete with The Cheesecake Factory. Having over 250 menu items allows them to dip into any style of food offering and be relevant in not only Italian bakery, but into Italian dishes, seafood, burgers, etc. Being an upscale establishment allows them to maintain a steady revenue stream to and higher profit margins.

Additionally, they have kept up with the technology and tough times of the pandemic. Although producing a negative profit for one of the COVID-19 years, they maintained a strong presence in mobile and online ordering. Being able to pickup a cheesecake to go or go buy one at the grocery store provided a service that certain restaurant has not or cannot provide.

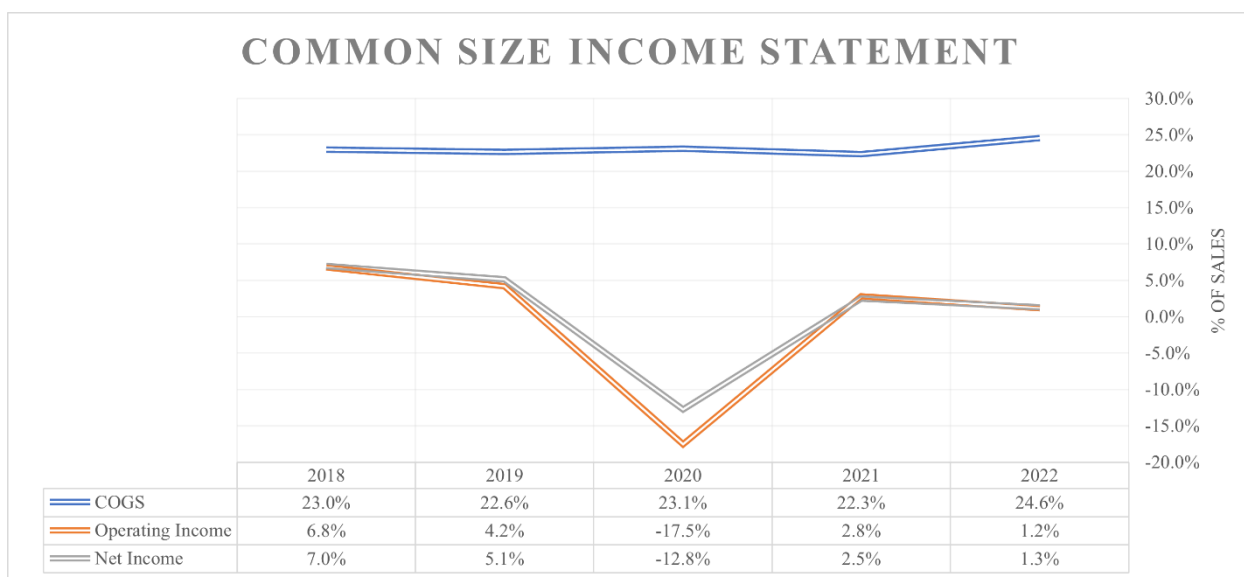
The Cheesecake Factory to-go bakery in their restaurant.



Analysis of Financial Statements: The Cheesecake Factory Inc.

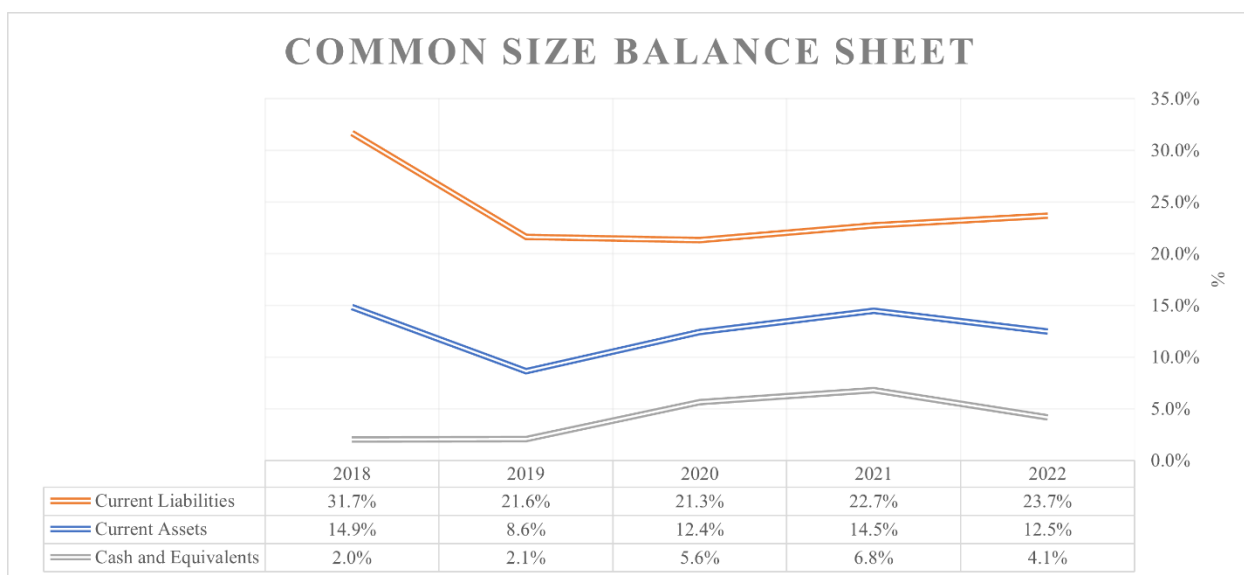
Vertical Analysis (Income Statement):

A common size vertical analysis was done to see what percentage of sales that cost of goods sold, operating income, and net income made up. For The Cheesecake Factory Inc., cost of sales has consistently made up about 23% of its revenue. Holding this constant is good for the company when increasing profits, but bad when profits are not increasing. Observe that net income's common size of sales has decreased since 2018. Decreasing common size of net income while holding cost of sales constant is going to drive a bigger gap and decrease margins in their profits. I included operating income as well to show that operating income and net income are practically the same, as most of the net income is made up of operations of their businesses. COVID-19 is the reason why the net income was negative in the year 2020 and the business is still likely to be recovering from this time. So, it is okay to downplay their falling net income. However, the next coming years will be crucial in the signs of whether The Cheesecake Factory Inc. will get back to a strong run and larger margins.



Vertical Analysis (Balance Sheet):

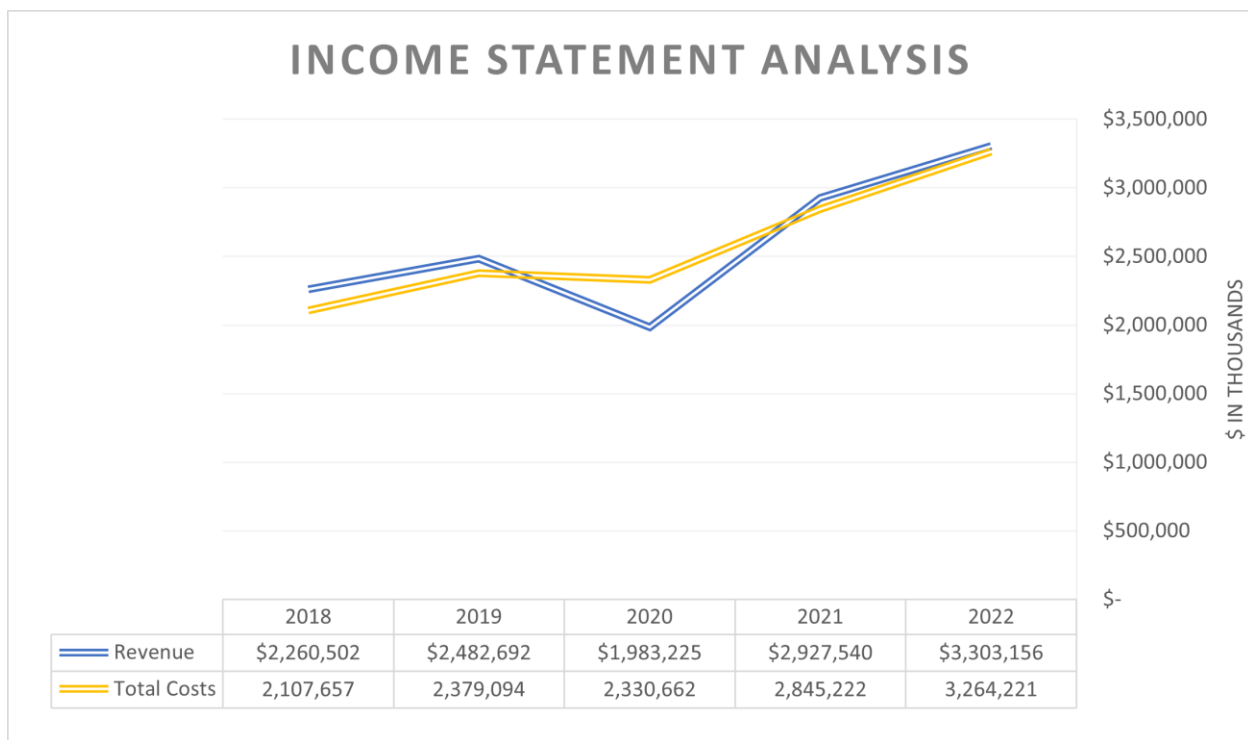
In an examination of the common size of the balance sheet, we looked at current liabilities, current assets, and cash and cash equivalents. Current assets and liabilities were chosen to represent what of The Cheesecake Factory Inc. can be made liquid or pay off within one year. Since 2018, The Cheesecake Factory has increased its size of cash and equivalents. This allows for The Cheesecake Factory Inc. to cover their liabilities more safely in the future, as they continue to rebuild after the COVID-19 losses. Due to less business since 2018 (attributed to COVID and economic impacts), their inventories, accounts receivables, and prepaid expenses have fallen to reduce potential losses. While this was happening, their current assets have hovered within a range of 6.3%. Therefore, this is no cause for concern over the past 5 years for their current assets. The Cheesecake Factory Inc. have dropped their current assets down likely to be able to cover any potential impacts as the country is still recovering and actively going through higher inflation. I see this as a smart move and does not cause any concern from their balance sheet.



Horizontal Analysis (Income Statement):

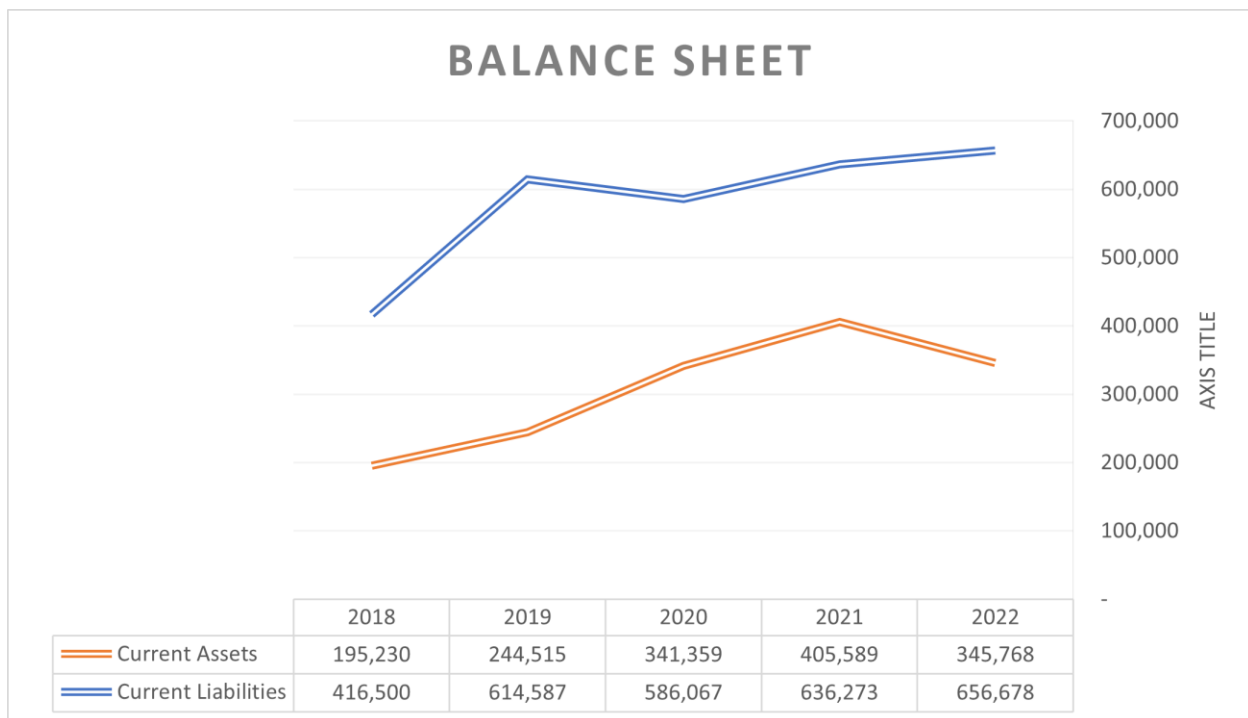
When analyzing the income statement, revenue and total costs were chosen to visualize the decreasing margins that The Cheesecake Factory has been experiencing. The profit margin in 2018 was 7.0% and fell to as low as -12.8% during 2020 and most recently was 1.3% in 2022. The graph below is a good representation of their margins. Total costs and expenses make up about 97% of revenue as found in common size analysis. Therefore, in the past five years, The Cheesecake Factory has given, on average, a 0.62% profit margin. This number is pulled down by the profit margin of -12.8%. Hypothetically omitting the COVID loss, The Cheesecake Factory would offer an average profit margin of about 4%.

Graphically, revenue appeared to be on a linear, upward sloping trajectory. So, it is warranting for an investor to see potential for that to continue in the next few years. However, we also notice the gap between revenue (blue line) and total costs (yellow) has shrunk over time. We would like to attribute this to ongoing supply chain and increasing employment wages issues. This will be a large factor that The Cheesecake Factory will need to adjust to regain their strong margins.



Horizontal Analysis (Balance Sheet):

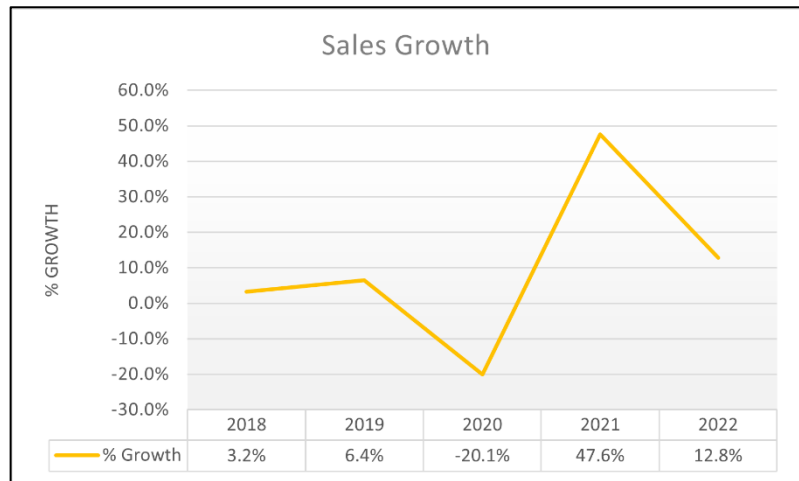
The balance sheet gives an opportunity to examine their current ratio and what it may mean for The Cheesecake Factory. In our data observed, The Cheesecake Factory has always had a current ratio less than 1. Thus, they cannot payoff their debts due within one year with the assets they could make liquid in one year. Before this becomes alarming, we must compare this to the industry average. Currently, as of 2022, the industry average current ratio is 0.97. Therefore, the average restaurant is usually perfectly able to cover their one-year debts with their current assets. This does bring slight worry to The Cheesecake Factory's current ratio that hovers around 0.50. They are only able to cover half of their liabilities, as compared to their competitors. This can cause concern for The Cheesecake Factory's ability to meet short-term obligations. Their current ratio appeared to get better during the COVID years but has started to grow a gap again in the recent year of 2022.



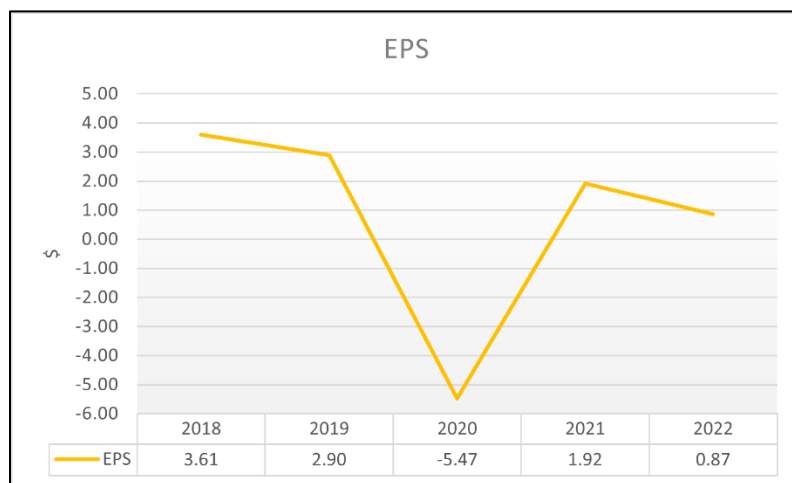
Ratio Analysis:

A full ratio analysis was done on The Cheesecake Factory and can be seen in Exhibit 7, but discussed will be Sales growth, EPS, ROA, and ROE.

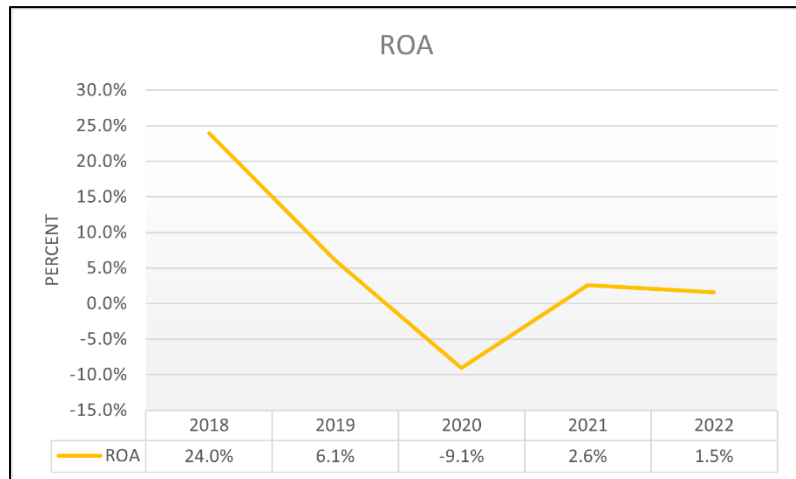
Sales Growth. We notice a sales growth prior to COVID to be less than 7% for 2018 and 2019. Then, COVID struck sales at a 20% decrease. The Cheesecake Factory was able to bounce back and increase sales by 47% afterwards, and most recently, 12.8% in 2022. The Cheesecake Factory is a low-to-mid market cap stock, so a higher sales growth around 12% should be achievable, given their size. However, the industry average sales growth for 2022 was 12.3%, in which The Cheesecake Factory beat that. The 2023 statements will allow for a much stronger analysis on sales growth. Again, given the size of the company, a sales growth of 10%-12% should be expected.



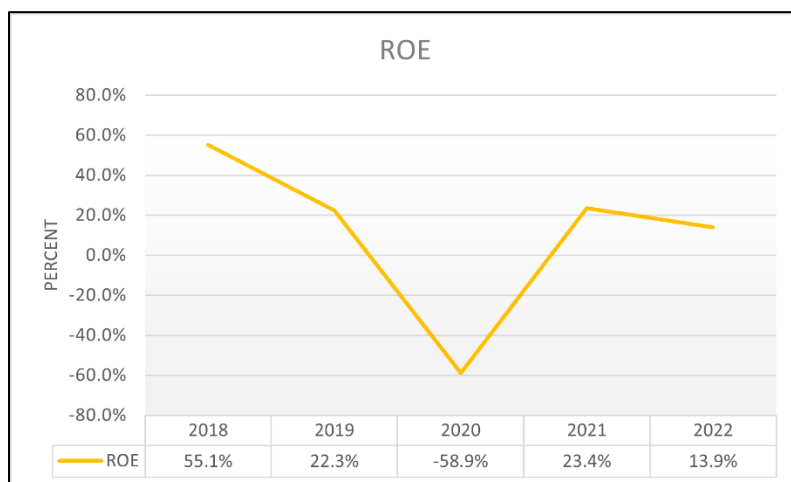
Earnings Per Share. The Cheesecake Factory has had a falling EPS in the past 5 years, beginning at 3.61 and most recently at 0.87. This is a very low value for their share price and will entice investors to stay away. The restaurant industry average EPS for 2022 was 3.25. This is cause for concern on the share price of The Cheesecake Factory. Without increasing earnings, their share price may be unlikely to rise.



Return On Assets. The Cheesecake Factory's ROA has fallen over the past five years. Mostly attributable to the economic conditions in 2020, but still have had a falling ROA. This tells us how efficient that The Cheesecake Factory is in turning a profit on their assets. A lower ROA from The Cheesecake Factory implies that they are not very efficient in turning a profit on their assets. The recent industry ROA was 9.2%. This is a large gap between ROA of the industry and The Cheesecake Factory's ROA.



Return On Equity. The Cheesecake Factory had a strong ROE in 2018 and had fallen since. Most recently, an ROE of 13.9%. The declining ROE tells investors that The Cheesecake Factory is earning less profits with the money that is invested into the company. The restaurant industry had an ROE of 43.7%. Thus, investors may look elsewhere, as there are other companies in the industry returning higher profit on invested money.



Valuation of The Cheesecake Factory Inc.: Market Comparables Method

Description of Analysis:

The market comparables method of valuation is that of an asset is compared to the values assessed by the market for similar or comparable assets. Market comparables is one of the most popular valuation methods used on Wall Street. This method has an advantage in the fact that value is more likely to reflect that of market perceptions and comparable assets than asset only valuations such as the discounted cash flow valuation. Also, there is less information required for this method of valuation, but that information can be equally, or more valuable.

This method compares the price and enterprise value multiples of the researched firm and those in the industry of similar size. The method is built on the economic theory of the law of one price. This states that identical assets should sell for the same price. The drawback to this method comes from the assumption that comparable assets are priced appropriately, and their value is correct.

Peer groups selected:

The comparables selected were five restaurant companies. The five chosen were companies that either own their own restaurants, or a few subsidiaries. More specifically, I chose only restaurant style, not fast-food style. I felt like this was a key point in decision, as fast-food companies had a slightly different COVID experience, as well as fast-food and restaurants are different dining experiences. The companies I chose were Darden Restaurants (DRI), Texas Roadhouse (TXRH), Bloomin' Brands (BLMN), Brinker International (EAT), and Dine Brands Global (DIN). For reference, these were the same companies discussed in the strategic analysis on competition. The market cap at the time of valuation (12/30/2022) are listed below:

- Darden Restaurants: \$1,801,200
- Texas Roadhouse: \$609,000
- Bloomin' Brands: \$176,000
- Brinker International: \$140,000
- Dine Brands Global: 101,000

The Cheesecake Factory has a market cap of \$163,000. It is important to note that yes, this presents a large market cap range. However, the comparables were taken from only dine-in restaurant experiences, and there are not many publicly traded on the market. So, we are still confident in the peer groups selected for valuation.

Relevant Values Before Valuation:

The enterprise values can be seen in the chart below. Notice that the enterprise values of all the companies, except Darden Restaurants, are within a relatively tight range. Darden Restaurants was still used as comparable as it is the market leader in the restaurant industry and was used confidently in its comparing model. The market comparables that were used were EV/Sales, P/Sales, P/E, and P/Book. The comparable ratios were all compiled from 12/31/2022 and all gathered from Yahoo Finance. Sales, stock price, earnings, and book value are very relevant multiples for testing. Sales and earnings are the most important quantifiers of the company's performance, being in the restaurant industry.

Company Name	Market Cap	EV	EV/Sales	P/Sales	P/E	P/Book	Sales	Earnings	Book Value of Equity	Net Debt
Darden Restaurants (DRI)	\$1,801,200	\$2,175,000	2.2	1.8	17.1	9.0				
Texas Roadhouse (TXRH)	\$609,000	\$668,000	6.6	1.9	19.3	6.2				
Bloomin' Brands (BLMN)	\$176,000	\$366,000	3.3	0.5	7.1	7.4				
Brinker International (EAT)	\$140,000	\$368,000	3.6	0.4	13.0	5.5				
Dine Brands Global (DIN)	\$101,000	\$245,000	11.8	1.2	12.1	5.7				
The Cheesecake Factory (CAKE)	\$163,000	\$333,000	3.7	0.5	10.6	5.0				
Current price	\$31.61									
Shares Outstanding (in 10,000)	5,157									
							\$ 89,276	\$ 15,348	\$ 32,341	\$ 170,000

The current stock price at time of testing for The Cheesecake Factory was \$31.61 and the company has 5,157 shares outstanding (in 10,000).

Results:

The results of the market comparables method of valuation can be seen below. Represented here is the median results and mean results. The median results took the median of the multipliers above and then used that to find the equity value per share for each multiple. Notice that for the median results, there were two under predictions and two overpredictions.

Next, the mean results are done by taking the mean of the multipliers and then finding the equity value per share. Here, there are three overpredictions and one underprediction.

	EV/Sales	P/Sales	P/E	P/Book
Median	3.6	1.2	13.0	7.4
Enterprise Value	\$322,287	\$108,917	\$199,836	\$239,325
Total Equity Value	\$152,287	\$108,917	\$199,836	\$239,325
Equity value per share	\$29.53	\$21.12	\$38.75	\$46.41
	Under	Under	Over	Over
Mean	5.5	1.1	13.7	7.5
Enterprise Value	\$492,090	\$102,489	\$210,304	\$243,745
Total Equity Value	\$322,090	\$102,489	\$210,304	\$243,745
Equity value per share	\$62.46	\$19.87	\$40.78	\$47.26
	Over	Under	Over	Over

Finally, an equity table analysis was done to find the valuation range that I am most confident in. It can be seen below.

Equity Value	EV/Sales	P/Sales	P/E	P/Book
High	\$171.14	\$32.89	\$57.44	\$56.32
Average	\$62.46	\$19.87	\$40.78	\$47.26
Median	\$29.53	\$21.12	\$38.75	\$46.41
Low	\$5.12	\$6.41	\$21.07	\$39.07

This table shows the high, average, median, and low equity value per share numbers produced from each market comparable method. To produce the most accurate range of valuation, the average of the averages was taken, and this produced a valuation of **\$42.59**. This implies that the current price of the stock is undervalued. Next, the average value of the medians was taken, and that produced a valuation of **\$33.95**. With the current price, this valuation is higher than the current stock price.

I concluded that using the market multiples method of valuation, that the true equity value per share of The Cheesecake Factory falls within the range of \$33.95 - \$42.59. This range implies that the current price is undervalued, and thus leaves room a potential for growth in the price. I believe this valuation range using the market comparables to be accurate, because The Cheesecake Factory falls in the 50th percentile for each market multiple. Therefore, the stock peer group used will appropriately value the price using their statistics and translating it to that of The Cheesecake Factory.

Valuation of The Cheesecake Factory Inc.: Market Comparables Method

Description and Advantages of the model:

This model allows for the focus on generation of cash by the firm instead of the distribution of cash to the shareholders. There are multiple steps to calculate the equity value per share for the company. These involve projecting the horizon period data, calculating the present value of free cash flows, find the discount rate, calculate the terminal value, etc. All in all, this method allows for a very accurate and detailed approach to finding a company's intrinsic value.

This method of valuation is advantageous because it is a very detailed method using the company's financial statements. The model represents its future value in the present day, presenting investment opportunities. The method is forward looking which is more helpful to predict the future data for the company, instead of relying on previous years data.

Steps of the DCF Model:

1. Subtract the taxes and interest expense from EBIT
2. Add back depreciation and amortization
3. Add the change in net working capital
4. Subtract the changes in capital expenditures

This will give you're your unlevered free cash flows.

Forecast Period Selection & Assumptions of The DCF Model:

A forecast period of four years and a terminal period year were used as the horizon period for valuation. The Cheesecake Factory has been publicly traded on the market for 30 years. They have been relevant and strong in the market for a long time. Because of their age on the market, I have chosen their perpetual growth rate to be 3%. This is slightly lower than that of the restaurant industry average of 5%, but I am confident in the growth rate, considering The Cheesecake Factory's relevance and age in the public market.

For the exit multiple method, I chose to use the restaurant industry average EV/EBITDA multiple as my exit multiple. EBITDA was the relevant form of earnings used in my exit multiple method and I believe the exit multiple chosen to be accurate and correct of 10.5x.

There are a few assumptions to the DCF model that must be recognized. They are:

1. All cash flows are recognized at the end of the year.
2. All cash flows are treated as investments into the company as a certainty.
3. Cash inflows earn a return for the company.
4. A perfect capital market is assumed.

These assumptions introduce a few shortcomings of the model. However, they are tested with confidence and will still provide a relevant intrinsic value and equity value per share.

Terminal Value Steps:

Perpetuity Growth Method

1. Take your terminal year free cash flow and use the perpetuity growth rate and WACC to calculate the terminal value.
 - a. Formula: $TV = \frac{FCF_{2027} * (1+g)}{(WACC-g)}$
2. Multiply the terminal value times the discount factor
3. Add your present value of terminal value and your cumulative present value of FCF to get the enterprise value

Exit Multiple Method

1. Take your terminal year EBITDA and multiply by the exit multiple
2. Take your terminal value and multiply it by the discount factor
3. Add together the present value of terminal value and cumulative present value of FCF to get the enterprise value

Equity Value Per Share:

Below can be seen the tables of calculation for both methods of valuation. Presented is the terminal value, enterprise value, equity value, and equity value per share. For the perpetuity growth model, an equity value per share of \$29.63 was presented. For the exit multiple method, an equity value per share of \$30.82 was given. With a current share price of \$31.61, these valuations are considered accurate and effective.

<i>Perpetuity Growth Model</i>	
Cumulative Present Value of FCF	\$ 473,210.2
Terminal Value	
Terminal Year Free Cash Flow	\$ 172,553.0
Perpetuity Growth Rate	3.0%
Terminal Value	\$ 2,115,828.5
Discount Factor	0.59
Present Value of Terminal Value	\$ 1,373,851.2
% of enterprise value	34.4%
Enterprise value	\$ 1,847,061.4
Equity Value & Share Price	
Enterprise Value	\$ 1,847,061.4
Net Debt	\$ (353,255.0)
Equity Value	\$ 1,493,806.4
Shares Outstanding	50,414
Equity Value per share	\$ 29.63

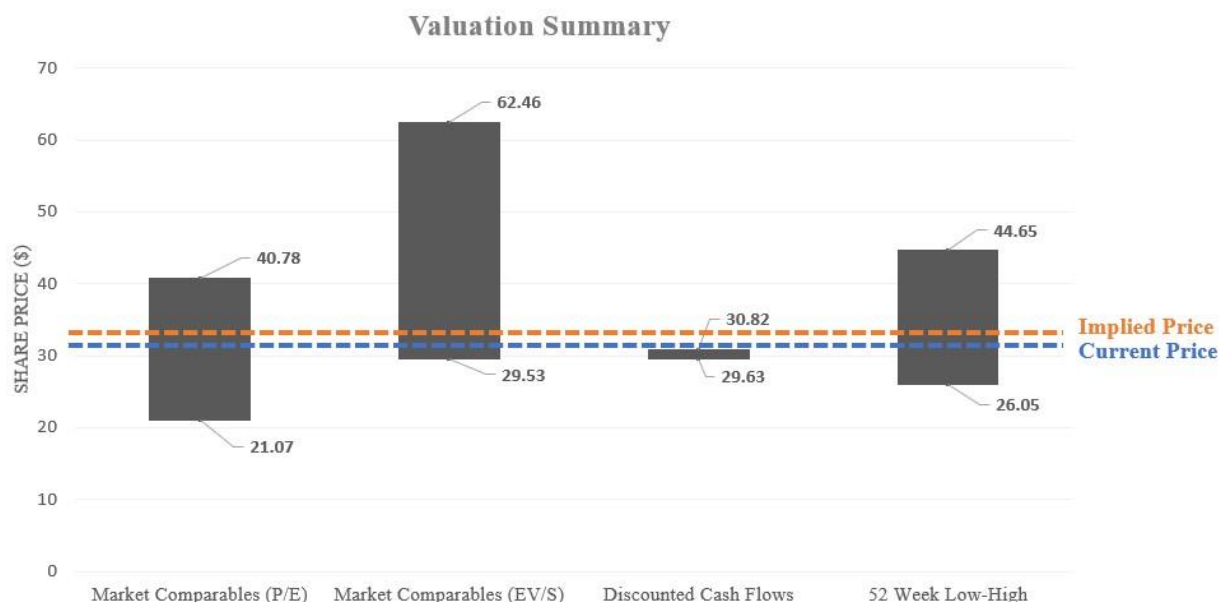
<i>Exit Multiple Method</i>	
Cumulative Present Value of FCF	\$ 473,210.2
Terminal Value	
Terminal Year EBITDA	\$ 231,421.9
Exit Multiple	10.5x
Terminal Value	\$ 2,429,929.9
Discount Factor	0.59
Present Value of Terminal Value	\$ 1,433,658.7
% of enterprise value	33.0%
Enterprise value	\$ 1,906,868.9
Equity Value & Share Price	
Enterprise Value	\$ 1,906,868.9
Net Debt	\$ (353,255.0)
Equity Value	\$ 1,553,613.9
Shares Outstanding	50,414
Equity Value per share	\$ 30.82

Final Valuation and Investment Recommendation:

Football Field Valuation Analysis:

The final valuation done for the implied share price of The Cheesecake Factory was taking all the valuations done in this report and assigning weights to what valuations were more important than others.

Seen below is the football field analysis chart on the implied share price for The Cheesecake Factory. The relevant methods of valuation chosen were the market comparables method (both P/E valuation and EV/Sales valuation), the discounted cash flows method (both exit multiple and perpetuity growth model), and also the 52-week low high number of the share price for The Cheesecake Factory in 2022.



Method	Value	Weight	Weighted Value
Market Comp. (P/E)	\$ 38.75	0.2	\$ 7.75
Market Comp. (EV/S)	\$ 29.53	0.15	\$ 4.43
DCF Exit Multiple	\$ 30.82	0.25	\$ 7.71
DCF Perpetuity	\$ 29.63	0.25	\$ 7.41
2022 Stock Average	\$ 33.02	0.15	\$ 4.95
Total			\$ 32.25

The weighted values applied to each valuation metric can be seen in the table above. The DCF methods received the highest weight, because of their strength in valuation, as stated in the Description and Advantages of the model section. The market comparables received the next highest weights, because of their reliance on other companies in industry. Finally, the 2022 stock price average was used as a form of valuation to include the stock market's effect on the price and how it performed in the most recent year. Therefore, the implied share price for The Cheesecake Factory is **\$32.25**.

Investment Recommendations:

Considering that the implied share price of this valuation is only \$0.60 higher than the share price at the time of valuation, it is not poised for much aggressive growth. Thus, alternative methods for investments are going to be recommended.

Short-Term Investment (< 1 year)

Short Straddle

- Write Call
- Write Put

This strategy is used as a bet against volatility. As the stock is already around its implied share price, I do not predict much movement throughout the year. Therefore, a short straddle option strategy that expires in less than one year should have investment profit.

Long-Term Investment (> 1 year)

Buy Stock

This strategy relies on The Cheesecake Factory's ability to stay popular and very relevant in the challenging restaurant industry. The Cheesecake Factory suffered a loss during COVID, and they have not fully recovered from that yet. However, their consistency in the market poises them for ensured growth over the long run. They have a business model and idea (the cheesecake) that separates them from others in the industry and I believe that this would be a steady investment with a lot of potential.

Alternative Strategy

Long-Term Protective Put

- Buy Stock
- Buy Put

If you wanted to decrease any downside risk that may have been presented in this valuation, locking yourself in for a fixed maximum loss will allow you to make a lower risk investment and still have upside potential if the stock price rises.

Exhibits & Appendices

Exhibit 1: Balance Sheet

	2022	2021	2020	2019	2018
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 114,777	\$ 189,627	\$ 154,085	\$ 58,416	\$ 26,578
Accounts and other receivable	105,511	100,504	75,787	90,302	89,122
Income taxes receivable	21,522	36,173	36,889	4,626	-
Inventories	55,559	42,839	39,288	47,225	38,886
Prepaid expenses	48,399	36,446	35,310	43,946	40,645
Total current assets	<u>345,768</u>	<u>405,589</u>	<u>341,359</u>	<u>244,515</u>	<u>195,230</u>
Property and equipment, net	<u>746,051</u>	<u>741,746</u>	<u>774,137</u>	<u>831,599</u>	<u>913,275</u>
Other assets:					
Intangible assets, net	251,524	251,701	253,160	437,207	26,209
Operating lease assets	1,268,986	1,241,237	1,251,027	1,240,976	-
Other	162,891	157,852	127,371	86,296	179,419
Total other assets	<u>1,683,401</u>	<u>1,650,790</u>	<u>1,631,558</u>	<u>1,764,479</u>	<u>205,628</u>
Total assets	<u><u>2,775,220</u></u>	<u><u>\$ 2,798,125</u></u>	<u><u>\$ 2,747,054</u></u>	<u><u>\$ 2,840,593</u></u>	<u><u>\$ 1,314,133</u></u>
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Accounts payable	\$ 66,638	\$ 54,086	\$ 58,432	\$ 61,946	\$ 49,071
Gift card liabilities	219,808	211,182	184,655	187,978	172,336
Operating lease liabilities	139,099	131,818	132,519	128,081	-
Other accrued expenses	231,133	239,187	210,461	236,582	195,093
Total current liabilities	<u>656,678</u>	<u>636,273</u>	<u>586,067</u>	<u>614,587</u>	<u>416,500</u>
Long-term debt	468,032	466,017	280,000	290,000	10,000
Operating lease liabilities	1,233,497	1,218,269	1,224,321	1,189,869	-
Other noncurrent liabilities	125,010	147,400	149,725	140,548	71,659
Series A convertible preferred stock, \$.01 par value,	-	-	218,248	-	-
Stockholders' equity:					
Common stock, \$.01 par value, 250,000,000 shares authorized; 105,365,678 and 98,645,147 shares issued at December 28, 2021 and December 29, 2020,	1,063	1054	986	977	967
Additional paid-in capital	887,485	862,758	878,148	855,989	828,676
Retained earnings	1,170,078	1,169,150	1,110,087	1,408,333	1,384,494
Treasury stock, 53,139,172 and 53,026,409 shares at cost at Dec	(1,765,641)	(1,702,509)	(1,696,743)	(1,693,122)	(1,642,140)
Accumulated other comprehensive loss	(982)	(287)	(3,785)	(435)	(938)
Total stockholders' equity	<u>292,003</u>	<u>330,166</u>	<u>288,693</u>	<u>571,742</u>	<u>571,059</u>
Total liabilities and Stockholders' Equity	<u><u>\$ 2,775,220</u></u>	<u><u>\$ 2,798,125</u></u>	<u><u>\$ 2,747,054</u></u>	<u><u>\$ 2,806,746</u></u>	<u><u>\$ 1,314,133</u></u>

Exhibit 2: Income Statement

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues	\$ 3,303,156	\$ 2,927,540	\$ 1,983,225	\$ 2,482,692	\$ 2,260,502
Costs and expenses:					
Cost of sales	810,926	653,133	458,332	561,783	519,388
Labor expenses	1,211,951	1,072,628	778,586	899,667	777,595
Other operating costs and expenses	881,627	792,311	616,069	631,613	552,791
General and administrative expenses	205,753	186,136	157,644	160,199	141,533
Depreciation and amortization expenses	92,380	89,654	91,415	88,133	92,729
Impairment of assets and lease termination expenses	31,387	18,139	219,333	18,247	10,343
Acquisition-related costs	-	-	2,699	5,270	-
Acquisition-related contingent consideration, compensation and amortization expenses/(benefit)	13,368	19,510	(3,872)	1,033	-
Preopening costs	16,829	13,711	10,456	13,149	13,278
Total costs and expenses	3,264,221	2,845,222	2,330,662	2,379,094	2,107,657
Income/(loss) from operations	38,935	82,318	(347,437)	103,598	152,845
Gain on investments in unconsolidated affiliates	-	-	-	39,233	(479)
Interest and other expense, net	(6,043)	(10,698)	(8,599)	(2,497)	(5,000)
Income/(loss) before income taxes	32,892	71,620	(356,036)	140,334	146,466
Income tax (benefit)/ provision	(10,123)	(753)	(102,671)	13,041	(10,926)
Net income/(loss)	43,123	72,373	(253,365)	127,293	\$ 157,392
Dividends on Series A preferred stock	-	(18,661)	(13,485)	-	-
Direct and incremental Series A preferred stock issuance costs	-	-	(10,257)	-	-
Undistributed earnings allocated to Series A preferred stock	-	(4,581)	-	-	-
Net income/(loss) available to common stockholders	\$ 43,123	\$ 49,131	\$ (277,107)	\$ 127,293	

Exhibit 3: Horizontal Analysis Balance Sheet

Balance Sheet	2022		2021		2020		2019		2018		2017
ASSETS	\$	% Growth	\$	% Growth	\$	% Growth	\$	% Growth	\$	% Growth	\$
Current assets:											
Cash and cash equivalents	\$ 114,777	-39.47%	\$ 189,627	23.07%	\$ 154,085	163.77%	\$ 58,416	119.79%	\$ 26,578	342.38%	\$ 6,008
Accounts and other receivable	105,511	4.98%	100,504	32.61%	75,787	-16.07%	90,302	1.32%	89,122	1.99%	87,383
Income taxes receivable	21,522	-40.50%	36,173	-1.94%	36,889	697.43%	4,626	-	-	-100.00%	15,016
Inventories	55,559	29.69%	42,839	9.04%	39,288	-16.81%	47,225	21.44%	38,886	-8.63%	42,560
Prepaid expenses	48,399	32.80%	36,446	3.22%	35,310	-19.65%	43,946	8.12%	40,645	-29.52%	57,666
Total current assets	345,768	-14.75%	405,589	18.82%	341,359	39.61%	244,515	25.24%	195,230	-6.42%	208,633
Property and equipment, net	746,051	0.58%	741,746	-4.18%	774,137	-6.91%	831,599	-8.94%	913,275	-2.33%	935,045
Other assets:											
Intangible assets, net	251,524	-0.07%	251,701	-0.58%	253,160	-42.10%	437,207	1568.16%	26,209	8.91%	24,065
Operating lease assets	1,268,986	2.24%	1,241,237	-0.78%	1,251,027	0.81%	1,240,976	-	-	-100.00%	39,399
Other	162,891	3.19%	157,852	23.93%	127,371	47.60%	86,296	-51.90%	179,419	42.49%	125,918
Total other assets	1,683,401	1.98%	1,650,790	1.18%	1,631,558	-7.53%	1,764,479	758.09%	205,628	8.58%	189,382
Total assets	2,775,220	-0.82%	\$ 2,798,125	1.86%	\$ 2,747,054	-3.29%	\$ 2,840,593	116.16%	\$ 1,314,133	-1.42%	\$ 1,333,060
LIABILITIES AND SHAREHOLDERS EQUITY											
Current liabilities:											
Accounts payable	\$ 66,638	23.21%	\$ 54,086	-7.44%	\$ 58,432	-5.67%	\$ 61,946	26.24%	\$ 49,071	-3.75%	\$ 50,984
Gift card liabilities	219,808	4.08%	211,182	14.37%	184,655	-1.77%	187,978	9.08%	172,336	-	-
Operating lease liabilities	139,099	5.52%	131,818	-0.53%	132,519	3.46%	128,081	#DIV/0!	-	-100.00%	163,951
Other accrued expenses	231,133	-3.37%	239,187	13.65%	210,461	-11.04%	236,582	21.27%	195,093	6.60%	183,016
Total current liabilities	656,678	3.21%	636,273	8.57%	586,067	-4.64%	614,587	47.56%	416,500	4.66%	397,951
Long-term debt	468,032	0.43%	466,017	66.43%	280,000	-3.45%	290,000	2800.00%	10,000	0.00%	10,000
Operating lease liabilities	1,233,497	1.25%	1,218,263	-0.49%	1,224,321	2.90%	1,189,869	#DIV/0!	-	-100.00%	74,761
Other noncurrent liabilities	125,010	-15.19%	147,400	-1.55%	149,725	6.53%	140,548	96.13%	71,659	-88.71%	634,769
Series A convertible preferred stock, \$.01 par value	-	-	-	-100.00%	218,248	-	-	-	-	-	-
Stockholders' equity:											
Common stock, \$.01 par value, 250,000,000 shares authorized; 105,365,678 and 98,645,147 shares issued at December 28, 2021 and December 29, 2020,	1,063	0.85%	1054	6.90%	986	0.92%	977	1.03%	967	1.36%	954
Additional paid-in capital	887,485	2.87%	862,758	-1.75%	878,148	2.59%	855,989	3.30%	828,676	3.60%	799,862
Retained earnings	1,170,078	0.08%	1,169,150	5.32%	1,110,087	-21.18%	1,408,333	1.72%	1,384,494	2.89%	1,345,666
Treasury stock, 53,139,172 and 53,026,409 shares at December 28, 2021 and December 29, 2020	(1,765,641)	3.71%	(1,702,509)	0.34%	(1,696,743)	0.21%	(1,693,122)	3.10%	(1,642,140)	7.13%	(1,532,864)
Accumulated other comprehensive loss	(982)	242.16%	(287)	-92.42%	(3,785)	770.11%	(435)	-53.62%	(938)	965.91%	(88)
Total stockholders' equity	292,003	-11.56%	330,166	14.37%	288,693	-49.51%	571,742	0.12%	571,059	-6.92%	613,530
Total liabilities and Stockholders' Equity	\$ 2,775,220	-0.82%	\$ 2,798,125	1.86%	\$ 2,747,054	-2.13%	\$ 2,806,746	113.58%	\$ 1,314,133	-1.42%	\$ 1,333,060

Exhibit 4: Horizontal Analysis Income Statement

Income Statement	2022		2021		2020		2019		2018		2017
	\$	% Growth	\$	% Growth	\$	% Growth	\$	% Growth	\$	% Growth	\$
Revenues	\$ 3,303,156	12.83%	\$ 2,927,540	47.62%	\$ 1,983,225	-20.12%	\$ 2,482,692	6.45%	\$ 2,332,331	3.18%	\$ 2,260,502
Costs and expenses:											
Cost of sales	810,926	24.16%	653,133	42.50%	458,332	-18.41%	561,783	5.42%	532,880	2.60%	519,388
Labor expenses	1,211,951	12.99%	1,072,628	37.77%	778,586	-13.46%	899,667	7.86%	834,134	7.27%	777,595
Other operating costs and expenses	881,627	11.27%	792,311	28.61%	616,069	-2.46%	631,613	11.43%	566,825	2.54%	552,791
General and administrative expenses	205,753	10.54%	186,136	18.07%	157,644	-1.59%	160,199	3.51%	154,770	9.35%	141,533
Depreciation and amortization expenses	92,380	3.04%	89,654	-1.93%	91,415	3.72%	88,133	-8.17%	95,976	3.50%	92,729
Impairment of assets and lease termination expenses	31,387	73.04%	18,139	-91.73%	219,333	1102.02%	18,247	2.16%	17,861	72.69%	10,343
Acquisition-related costs	-		-	-100.00%	2,699	-48.79%	5,270		-		-
Acquisition-related contingent consideration, compensation and amortization expenses/(benefit)	13,368	-31.48%	19,510	-603.87%	(3,872)	-474.83%	1,033		-		-
Preopening costs	16,829	22.74%	13,711	31.13%	10,456	-20.48%	13,149	20.22%	10,937	-17.63%	13,278
Total costs and expenses	3,264,221	14.73%	2,845,222	22.08%	2,330,662	-2.04%	2,379,094	7.49%	2,213,383	5.02%	2,107,657
Income/(loss) from operations	38,935	-52.70%	82,318	-123.69%	(347,437)	-435.37%	103,598	-12.90%	118,948	-22.18%	152,845
Gain on investments in unconsolidated affiliates	-		-		-	-100.00%	39,233	-925.26%	(4,754)	892.48%	(479)
Interest and other expense, net	(6,043)	-43.51%	(10,698)	24.41%	(8,599)	244.37%	(2,497)	-136.81%	6,783	-235.66%	(5,000)
Income/(loss) before income taxes	32,892	-54.07%	71,620	-120.12%	(356,036)	-353.71%	140,334	30.65%	107,411	-26.66%	146,466
Income tax (benefit)/ provision	(10,123)	1244.36%	(753)	-99.27%	(102,671)	-887.29%	13,041	55.69%	8,376	-176.66%	(10,926)
Net income/(loss)	43,123	-40.42%	72,373	128.56%	(253,365)	-299.04%	127,293	28.53%	99,035	-37.08%	157,392

Exhibit 5: Vertical Analysis Income Statement

Income Statement	Common Size									
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
Revenues	\$ 3,303,156	\$ 2,927,540	\$ 1,983,225	\$ 2,482,692	\$ 2,260,502	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	810,926	653,133	458,332	561,783	519,388	24.6%	22.3%	23.1%	22.6%	23.0%
Gross Profit	2,492,230	2,274,407	1,524,893	1,920,909	\$ 1,741,114	75.4%	77.7%	76.9%	77.4%	77.0%
Labor expenses	1,211,951	1,072,628	778,586	899,667	777,595	36.7%	36.6%	39.3%	36.2%	34.4%
Other operating costs and expenses	881,627	792,311	616,069	631,613	552,791	26.7%	27.1%	31.1%	25.4%	24.5%
General and administrative expenses	205,753	186,136	157,644	160,199	141,533	6.2%	6.4%	7.9%	6.5%	6.3%
Depreciation and amortization expenses	92,380	89,654	91,415	88,133	92,729	2.8%	3.1%	4.6%	3.5%	4.1%
Impairment of assets and lease termination expenses	31,387	18,139	219,333	18,247	10,343	1.0%	0.6%	11.1%	0.7%	0.5%
Acquisition-related costs	-	-	2,699	5,270	-	0.0%	0.0%	0.1%	0.2%	0.0%
Acquisition-related contingent consideration, compensation and amortization expenses/(benefit)	13,368	19,510	(3,872)	1,033	-	0.4%	0.7%	-0.2%	0.0%	0.0%
Preopening costs	16,829	13,711	10,456	13,149	13,278	0.5%	0.5%	0.5%	0.5%	0.6%
Total costs and expenses	3,264,221	2,845,222	2,330,662	2,379,094	2,107,657	98.8%	97.2%	117.5%	95.8%	93.2%
Income/(loss) from operations	38,935	82,318	(347,437)	103,598	152,845	1.2%	2.8%	-17.5%	4.2%	6.8%
Gain on investments in unconsolidated affiliates	-	-	-	39,233	(479)	0.0%	0.0%	0.0%	1.6%	0.0%
Interest and other expense, net	(6,043)	(10,698)	(8,599)	(2,497)	(5,000)	-0.2%	-0.4%	-0.4%	-0.1%	-0.2%
Income/(loss) before income taxes	32,892	71,620	(356,036)	140,334	146,466	1.0%	2.4%	-18.0%	5.7%	6.5%
Income tax (benefit)/ provision	(10,123)	(753)	(102,671)	13,041	(10,926)	-0.3%	0.0%	-5.2%	0.5%	-0.5%
Net income/(loss)	43,123	72,373	(253,365)	127,293	\$ 157,392	1.3%	2.5%	-12.8%	5.1%	7.0%

Exhibit 6: Vertical Analysis Balance Sheet

Balance Sheet						Common Size				
	1/3/2023	12/28/2021	12/29/2020	12/30/2019	12/31/2018	2022	2021	2020	2019	2018
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 114,777	\$ 189,627	\$ 154,085	58,416	\$ 26,578	4.1%	6.8%	5.6%	2.1%	2.0%
Accounts and other receivable	105,511	100,504	75,787	90,302	89,122	3.8%	3.6%	2.8%	3.2%	6.8%
Income taxes receivable	21,522	36,173	36,889	4,626	-	0.8%	1.3%	1.3%	0.2%	0.0%
Inventories	55,559	42,839	39,288	47,225	38,886	2.0%	1.5%	1.4%	1.7%	3.0%
Prepaid expenses	48,399	36,446	35,310	43,946	40,645	1.7%	1.3%	1.3%	1.5%	3.1%
Total current assets	345,768	405,589	341,359	244,515	195,230	12.5%	14.5%	12.4%	8.6%	14.9%
Property and equipment, net	746,051	741,746	774,137	831,599	913,275	26.9%	26.5%	28.2%	29.3%	69.5%
Other assets:										
Intangible assets, net	251,524	251,701	253,180	437,207	26,209	9.1%	9.0%	9.2%	15.4%	2.0%
Operating lease assets	1,268,986	1,241,237	1,251,027	1,240,976	-	45.7%	44.4%	45.5%	43.7%	0.0%
Other	162,891	157,852	127,371	86,296	179,419	5.9%	5.6%	4.6%	3.0%	13.7%
Total other assets	1,683,401	1,650,790	1,631,558	1,764,479	205,628	60.7%	59.0%	59.4%	62.1%	15.6%
Total assets	\$ 2,775,220	\$ 2,798,125	\$ 2,747,054	2,840,593	\$ 1,314,133	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current liabilities:										
Accounts payable	\$ 66,638	\$ 54,086	\$ 58,432	61,946	\$ 49,071	2.4%	1.9%	2.1%	2.2%	3.7%
Gift card liabilities	219,808	211,182	184,655	187,978	172,336	7.9%	7.5%	6.7%	6.6%	13.1%
Operating lease liabilities	139,099	131,818	132,519	128,081	-	5.0%	4.7%	4.8%	4.5%	0.0%
Other accrued expenses	231,133	239,187	210,461	236,582	195,093	8.3%	8.5%	7.7%	8.3%	14.8%
Total current liabilities	656,678	636,273	586,067	614,587	416,500	23.7%	22.7%	21.3%	21.6%	31.7%
Long-term debt	468,032	466,017	280,000	290,000	10,000	16.9%	16.7%	10.2%	10.2%	0.8%
Operating lease liabilities	1,233,497	1,218,269	1,224,321	1,189,869	-	44.4%	43.5%	44.6%	41.9%	0.0%
Other noncurrent liabilities	125,010	147,400	149,725	140,548	71,659	4.5%	5.3%	5.5%	4.9%	5.5%
Series A convertible preferred stock, \$0.1 par value	-	-	218,248	-	-	0.0%	-	7.9%	0.0%	0.0%
Stockholders' equity:										
Common stock, \$0.1 par value, 250,000,000 shares authorized; 105,385,678 and 98,645,147 shares issued at December 28, 2021 and December 29, 2020,	1,063	1054	988	977	967	0.0%	0.0%	0.0%	0.0%	0.1%
Additional paid-in capital	887,485	882,758	878,148	855,989	828,676	32.0%	30.8%	32.0%	30.1%	63.1%
Retained earnings	1,170,078	1,168,150	1,110,087	1,408,333	1,384,494	42.2%	41.8%	40.4%	49.6%	105.4%
Treasury stock, 53,138,172 and 53,026,409 shares at cost at December 28, 2021 and December 29, 2020, respectively	(1,765,641)	(1,702,509)	(1,686,743)	(1,693,122)	(1,642,140)	-63.6%	-60.8%	-61.8%	-59.6%	-125.0%
Accumulated other comprehensive loss	(982)	(287)	(3,785)	(435)	(938)	0.0%	0.0%	-0.1%	0.0%	-0.1%
Total stockholders' equity	292,003	330,166	288,893	571,742	571,059	10.5%	11.8%	10.5%	20.1%	43.5%
Total liabilities and Stockholders' Equity	\$ 2,775,220	\$ 2,798,125	\$ 2,747,054	2,840,593	\$ 1,314,133	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit 7: Ratio Analysis

Sector: Service Industry: Restaurants

		CY AVG	2018	2019	2020	2021	2022
		Ind Avg.	\$CAKE	\$CAKE	\$CAKE	\$CAKE	\$CAKE
Growth Ratios							
Sales Growth	%	12.3%	3.2%	6.4%	-20.1%	47.6%	12.8%
Income Growth	%	-18.2%	-37.1%	28.5%	-299.0%	128.6%	-40.4%
Asset Growth	%	-2.2%	-1.4%	116.2%	-3.3%	1.9%	-0.8%
Liquidity Ratios							
Current Ratio	X	0.97	0.47	0.40	0.58	0.64	0.53
Quick Ratio	X	0.55	0.28	0.24	0.39	0.46	0.34
Leverage Ratios							
Debt-to-Total-Assets	X	2.65	0.05	0.16	0.17	0.28	0.28
Times Interest Earned	X	4.50	30.57	41.49	40.40	7.69	6.44
Asset Management Ratios							
Asset Turnover Ratio	X	1.02	3.44	1.20	0.71	1.06	1.19
Inventory Turnover Ratio	X	11.69	26.71	13.05	10.60	15.91	16.48
Profitability Ratios							
ROE	%	43.7%	55.1%	22.3%	-58.9%	23.4%	13.9%
ROA	%	9.2%	24.0%	6.1%	-9.1%	2.6%	1.5%
Profit Margin	%	9.0%	7.0%	5.1%	-12.8%	2.5%	1.3%
Market Ratios							
EPS	X	3.25	3.61	2.90	-5.47	1.92	0.87
P/E Ratio	X	19.19	11.54	26.72	-24.13	91.25	166.68
Market Cap	X		1816359.72	3446780.74	5788953.24	8478577.80	7274236.06
Book Value	X		571059.00	571742.00	288693.00	330166.00	292003.00
Market to Book	X	8.74	3.18	6.03	20.05	25.68	24.91

Exhibit 8: Market Comparables

	EV/Sales	P/Sales	P/E	P/Book
Median	3.6	1.2	13.0	6.2
Enterprise Value	\$322,287	\$108,917	\$199,836	\$201,486
Total Equity Value	\$152,287	\$108,917	\$199,836	\$201,486
Equity value per share	\$29.53	\$21.12	\$38.75	\$39.07
	Under	Under	Over	Over

Mean	5.5	1.1	13.7	6.8
Enterprise Value	\$492,090	\$102,489	\$210,304	\$218,692
Total Equity Value	\$322,090	\$102,489	\$210,304	\$218,692
Equity value per share	\$62.46	\$19.87	\$40.78	\$42.41
	Over	Under	Over	Over

Multiples				
High	11.8	1.9	19.3	9.0
Average	5.5	1.1	13.7	6.8
Median	3.6	1.2	13.0	6.2
Low	2.2	0.4	7.1	5.5

Equity Value	EV/Sales	P/Sales	P/E	P/Book
High	\$171.14	\$32.89	\$57.44	\$56.32
Average	\$62.46	\$19.87	\$40.78	\$42.41
Median	\$29.53	\$21.12	\$38.75	\$39.07
Low	\$5.12	\$6.41	\$21.07	\$34.49

Exhibit 9: DCF Inputs

	(reported)						
	2022	2023	2024	2025	2026	2027	
EBITDA	\$131,315.0	\$147,072.8	\$164,721.5	\$184,488.1	\$206,626.7	\$231,421.9	Cost of capital 11.4%
Less: Depreciation & Amortization	\$92,380.0	\$103,465.6	\$115,881.5	\$129,787.2	\$145,361.7	\$162,805.1	terminal growth rate 3%
EBIT	\$38,935.0	\$43,607.2	\$48,840.1	\$54,700.9	\$61,265.0	\$68,616.8	
Less: Tax Expense/(Benefit)	-\$10,123.0	\$9,157.5	\$13,675.2	\$15,316.2	\$17,154.2	\$19,212.7	
Interest Expense	-\$6,043.0	-\$6,768.2	-\$7,580.3	-\$8,490.0	-\$9,508.8	-\$10,649.8	
Net Income	\$43,015.0	\$27,681.5	\$27,584.5	\$30,894.6	\$34,602.0	\$38,754.2	
Plus: Depreciation & Amortization	\$135,395.0	\$131,147.1	\$143,466.0	\$160,681.9	\$179,963.7	\$201,559.4	
Less: CAPEX	\$96,685.0	\$108,287.2	\$121,281.7	\$135,835.5	\$152,135.7	\$170,392.0	
Less: change in NWC	-\$80,226.0	-\$89,853.1	-\$100,635.5	-\$112,711.8	-\$126,237.2	-\$141,385.6	
Unlevered CF	\$118,936.0	\$112,713.0	\$122,819.8	\$137,558.2	\$154,065.2	\$172,553.0	
Industry Exit Multiple	10.5						
Terminal Value at 2027	\$1,811,806.38						

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