



Cracker Barrel Old Country Store Inc. (CBRL)

Updated September 27th, 2021 by Samuel Smith

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|----------|
| Current Price: | \$145 | 5 Year CAGR Estimate: | 6.1% | Market Cap: | \$3.3B |
| Fair Value Price: | \$128 | 5 Year Growth Estimate: | 5.2% | Ex-Dividend Date: | 10/21/21 |
| % Fair Value: | 113% | 5 Year Valuation Multiple Estimate: | -2.5% | Dividend Payment Date: | 11/09/21 |
| Dividend Yield: | 3.6% | 5 Year Price Target | \$165 | Years Of Dividend Growth: | N/A |
| Dividend Risk Score: | F | Retirement Suitability Score: | D | Last Dividend Increase: | N/A |

Overview & Current Events

Cracker Barrel Old Country Store was established in 1969 as a restaurant concept that embraces America's heritage. It sells home-style food at modest prices. It differentiates itself from competitors within the casual dining industry with unique menu offerings. For example, some of Cracker Barrel's most popular menu items are its meatloaf and signature biscuits. It also operates a gift shop. Cracker Barrel generates annual sales of approximately \$3.3 billion, and the stock trades with a market capitalization of \$3.3 billion. The bulk of company sales comes from its restaurant operations, while the company also derives revenue from its in-store retail business.

On 06/30/21, Cracker Barrel reported financial results for the fourth quarter of fiscal 2021. Comparable store restaurant sales decreased by 6.8%. Additionally, comparable store retail sales increased by 18.2%, reflecting sales improvements as compared to the prior quarter primarily due to reopening of dining rooms and strategic sales initiatives. EBITDA came in at \$93.5 million representing 11.9% of total revenue. GAAP earnings per diluted share and Adjusted earnings per diluted share came in at \$1.53 and \$2.25 respectively. Meanwhile, total revenue this quarter was at \$784.4 million, up 58.4% year-over-year.

Growth on a Per-Share Basis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|----------------|
| EPS | \$4.61 | \$4.97 | \$5.64 | \$6.82 | \$7.86 | \$8.37 | \$9.23 | \$9.03 | \$2.04 | \$5.14 | \$8.52 | \$11.00 |
| DPS | \$1.15 | \$2.25 | \$3.00 | \$7.10 | \$7.70 | \$8.15 | \$4.85 | \$8.05 | \$3.90 | \$1.00 | \$5.20 | \$6.00 |
| Shares¹ | 23.5 | 23.8 | 23.8 | 24.0 | 24.0 | 24.1 | 24.0 | 24.0 | 23.7 | 23.5 | 23.3 | 21.5 |

Cracker Barrel is not immune from the downturn in the casual restaurant industry. Sit-down restaurants have seen traffic decline over the past year, due to the decline of U.S. malls and the emergence of other eating options such as meal kits. Furthermore, the COVID-19 outbreak cut deeply into sales.

However, we do not foresee any serious long-term threats being posed to the business and expect it to rebound well from this short-term crisis. While the business is expected to rebound significantly in fiscal 2022 from fiscal 2020 and 2021 numbers, its earnings performance will still likely remain slightly below its pre-COVID-19 performance numbers. This also impacts our 2027 forecast as reduced cash flows will impact its ability to repurchase shares and reinvest in the business.

Valuation Analysis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Now | 2027 |
|------------------|------|------|------|------|------|------|------|------|------|-------|-------------|-------------|
| Avg. P/E | 11.3 | 13.1 | 11.2 | 15.0 | 18.1 | 19.2 | 18.5 | 18.7 | 28.2 | 26.8 | 17.0 | 15.0 |
| Avg. Yld. | 2.0% | 1.7% | 2.2% | 3.0% | 3.2% | 3.1% | 3.1% | 3.0% | 5.0% | 19.5% | 3.6% | 3.6% |

Cracker Barrel stock currently trades for a price-to-earnings ratio of 17.0 based on our earnings power estimate for this year. Cracker Barrel's recent pre-COVID multiple was in the high teens. Our estimate of fair value is a price-to-earnings ratio of 15 due to a weakened outlook for the industry. As a result, Cracker Barrel stock appears to be slightly

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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overvalued. Over time, however, we expect earnings-per-share to grow at a solid clip, thereby bringing the valuation multiple back towards normalized levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|--------|-------|-------|-------|------|-------|-------|-------|-------|------|-------|--------------|--------------|
| Payout | 25.0% | 45.2% | 53.2% | 104% | 98.0% | 97.4% | 52.5% | 89.1% | 191% | 19.5% | 61.0% | 54.5% |

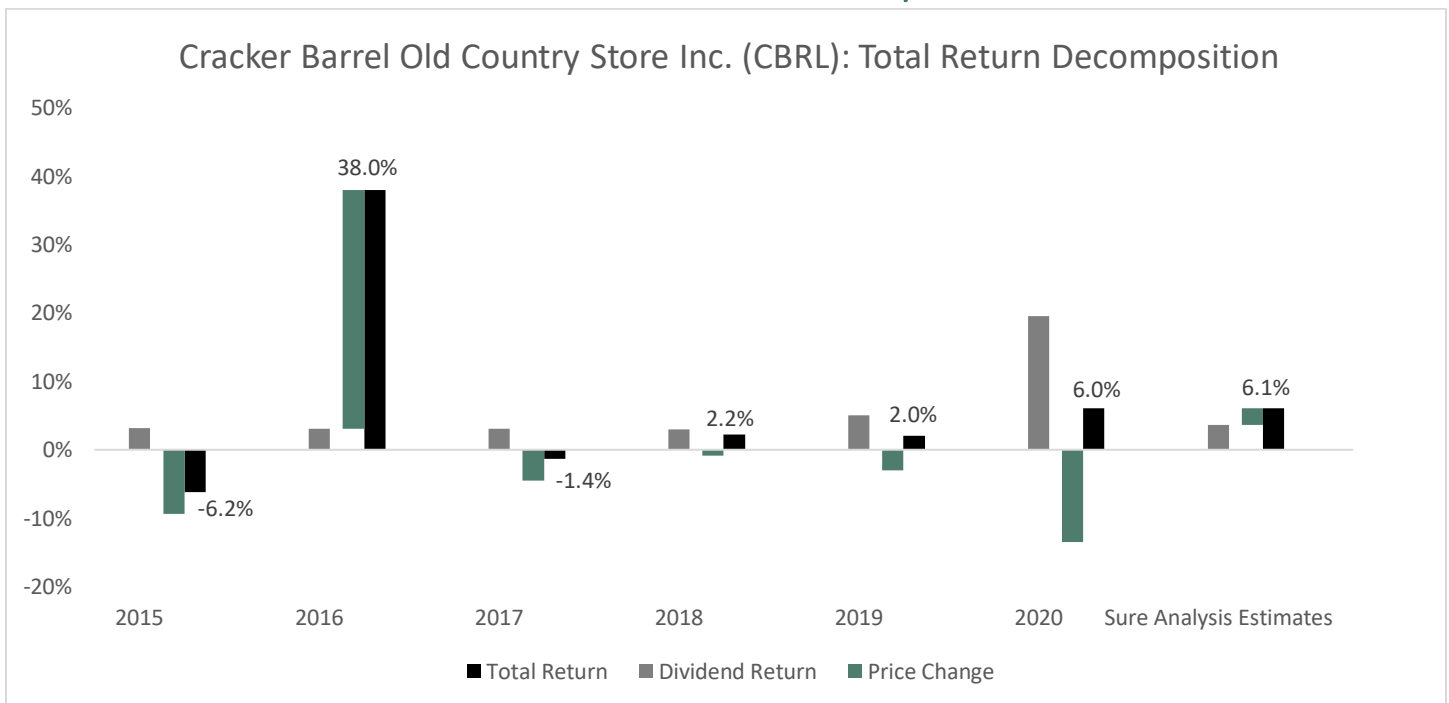
Cracker Barrel scores positively across our safety and quality metrics. The company is highly profitable, which leads to strong interest coverage. While the quarterly dividend was suspended during the height of the COVID-19 crisis, it has now been reinstated to its pre-COVID level and we foresee it recovering over the next half decade in both size and safety as the payout ratio will trend back towards its historic range between 55% and 60%. However, Cracker Barrel does not enjoy many competitive advantages. The restaurant industry is highly competitive with low barriers to entry. That said, Cracker Barrel has brand power through a differentiated menu and popularity within its niche category.

Additionally, Cracker Barrel enjoys a recession-resistant business model. Value-oriented restaurants tend to perform fairly well during recessions, as people turn to them when their focus is on saving money compared with higher-priced restaurants. Cracker Barrel maintained strong profitability during the Great Recession. That said, it does face short term headwinds due to lingering impacts from the coronavirus outbreak.

Final Thoughts & Recommendation

Cracker Barrel is well on its way towards recovering fully from the COVID-19 outbreak and related impacts. Its recent full reinstatement of its quarterly dividend to pre-COVID-19 levels was a strong signal of management’s bullishness on the business’ outlook. The stock appears to be overvalued at the moment, resulting in an expected annual headwind from multiple contraction. Overall annualized total return potential over the next half decade is decent but not great at 6.1%, making the stock a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 2,580 | 2,645 | 2,684 | 2,842 | 2,912 | 2,926 | 3,030 | 3,072 | 2,523 | 2,821 |
| Gross Profit | 337 | 345 | 338 | 402 | 423 | 455 | 437 | 436 | 203 | 973 |
| Gross Margin | 13.1% | 13.0% | 12.6% | 14.2% | 14.5% | 15.5% | 14.4% | 14.2% | 8.1% | 34.5% |
| SG&A Exp. | 146 | 143 | 129 | 148 | 143 | 141 | 144 | 153 | 147 | 148 |
| D&A Exp. | 64 | 66 | 68 | 73 | 78 | 86 | 94 | 108 | 118 | 121 |
| Operating Profit | 191 | 202 | 208 | 255 | 280 | 313 | 294 | 283 | 56 | 149 |
| Operating Margin | 7.4% | 7.6% | 7.8% | 9.0% | 9.6% | 10.7% | 9.7% | 9.2% | 2.2% | 5.3% |
| Net Profit | 103 | 117 | 132 | 164 | 189 | 202 | 248 | 223 | (32) | 255 |
| Net Margin | 4.0% | 4.4% | 4.9% | 5.8% | 6.5% | 6.9% | 8.2% | 7.3% | -1.3% | 9.0% |
| Free Cash Flow | 139 | 134 | 86 | 243 | 157 | 210 | 178 | 225 | (136) | 232 |
| Income Tax | 43 | 49 | 59 | 74 | 77 | 97 | 31 | 43 | (29) | 56 |

Balance Sheet Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 1,419 | 1,388 | 1,432 | 1,576 | 1,498 | 1,522 | 1,527 | 1,581 | 2,544 | 2,392 |
| Cash & Equivalents | 152 | 122 | 119 | 265 | 151 | 161 | 115 | 37 | 437 | 145 |
| Accounts Receivable | 15 | 16 | 23 | 18 | 19 | 18 | 19 | 23 | 20 | 27 |
| Inventories | 143 | 147 | 165 | 153 | 152 | 156 | 156 | 155 | 139 | 138 |
| Total Liabilities | 1,036 | 904 | 904 | 1,038 | 971 | 977 | 946 | 977 | 2,126 | 1,728 |
| Accounts Payable | 101 | 111 | 98 | 133 | 132 | 118 | 122 | 132 | 104 | 135 |
| Long-Term Debt | 525 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 949 | 327 |
| Shareholder's Equity | 383 | 484 | 529 | 538 | 526 | 545 | 582 | 605 | 418 | 664 |
| D/E Ratio | 1.37 | 0.83 | 0.76 | 0.74 | 0.76 | 0.73 | 0.69 | 0.66 | 2.27 | 0.49 |

Profitability & Per Share Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|
| Return on Assets | 7.6% | 8.4% | 9.4% | 10.9% | 12.3% | 13.4% | 16.2% | 14.4% | -1.6% | 10.3% |
| Return on Equity | 31.7% | 27.1% | 26.1% | 30.7% | 35.6% | 37.7% | 44.0% | 37.7% | -6.3% | 47.0% |
| ROIC | 11.9% | 13.1% | 14.6% | 17.6% | 20.3% | 21.6% | 25.7% | 22.5% | -2.7% | 21.6% |
| Shares Out. | 22.8 | 23.5 | 23.8 | 23.8 | 24.0 | 24.0 | 24.1 | 24.0 | 23.6 | 23.5 |
| Revenue/Share | 110 | 110 | 111 | 118 | 120 | 121 | 126 | 127 | 106 | 119 |
| FCF/Share | 5.93 | 5.60 | 3.59 | 10.11 | 6.54 | 8.71 | 7.41 | 9.32 | (5.71) | 9.75 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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