



Cracker Barrel Old Country Store Inc. (CBRL)

Updated March 7th, 2022 by Samuel Smith

Key Metrics

Current Price:	\$122	5 Year CAGR Estimate:	9.6%	Market Cap:	\$2.7B
Fair Value Price:	\$106	5 Year Growth Estimate:	9.2%	Ex-Dividend Date:	4/14/22
% Fair Value:	115%	5 Year Valuation Multiple Estimate:	-2.8%	Dividend Payment Date:	5/03/22
Dividend Yield:	4.3%	5 Year Price Target	\$165	Years Of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	C	Last Dividend Increase:	176.9%

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 just under \$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 02/22/22, Cracker Barrel reported financial results for the second quarter of fiscal 2022. Total revenue stood at \$862.3 million, up by 27.3% year-over-year. Comparable store restaurant sales grew by 1.9% and comparable store retail sales increased by 13.7%. GAAP operating income during the quarter stood at \$46.7 million representing 5.4% of total revenue. Adjusted operating income stood at \$49.8 million representing 5.8% of total revenue. GAAP net income came in at \$37.6 million representing 4.4% of total revenue. EBITDA came in at \$75.4 million representing 8.7% of total revenue. Meanwhile, GAAP earnings per diluted share and Adjusted earnings per diluted share stood at \$1.60 and \$1.71 respectively. Finally, Cracker Barrel expects approximately \$60 million of capital expenditures and an effective tax rate of approximately 14% for the second half of fiscal 2022.

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	\$7.08	\$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	23.2	21.5

Cracker Barrel is not immune from the downturn in the casual restaurant industry. Sit-down restaurants have seen traffic decline, 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 continue rebounding 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	17.3	15.0
Avg. Yld.	2.0%	1.7%	2.2%	3.0%	3.2%	3.1%	3.1%	3.0%	5.0%	19.5%	4.3%	3.6%

¹ Share count in millions

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Cracker Barrel stock currently trades for a price-to-earnings ratio of 17.3 based on our earnings 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 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%	73.4%	54.5%

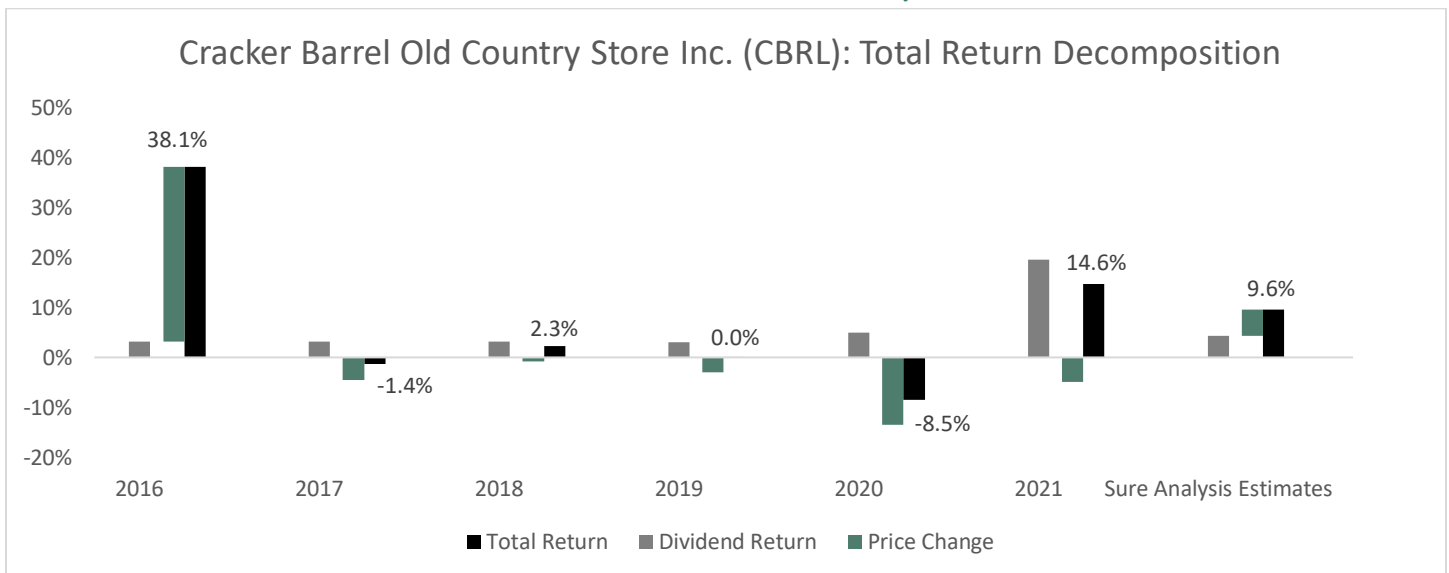
Cracker Barrel scores positively across our safety and quality metrics. The company is highly profitable, which leads to strong interest coverage. While the quarterly dividend was suspended during the height of the COVID-19 crisis, it has now been reinstated to its pre-COVID level and we foresee it recovering 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 slightly overvalued at the moment, resulting in an expected annual headwind from multiple contraction. Nevertheless, due to our expectation that the business will recover quickly from COVID-19 headwinds, our overall annualized total return expectation over the next half decade is quite attractive at 9.6%, making the stock a Buy 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
LTD/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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