



# Cracker Barrel Old Country Store Inc. (CBRL)

Updated December 6<sup>th</sup>, 2022 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$97.4	<b>5 Year CAGR Estimate:</b>	7.1%	<b>Market Cap:</b>	\$2.14B
<b>Fair Value Price:</b>	\$87.9	<b>5 Year Growth Estimate:</b>	4.5%	<b>Ex-Dividend Date:</b>	01/12/23
<b>% Fair Value:</b>	111%	<b>5 Year Valuation Multiple Estimate:</b>	-2.0%	<b>Dividend Payment Date:</b>	01/31/23
<b>Dividend Yield:</b>	5.3%	<b>5 Year Price Target</b>	\$110	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Hold

## 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 stock trades at a market capitalization of just over \$2.1 billion. The bulk of company sales comes from its restaurant operations, while the company also derives revenue from its in-store retail business.

Cracker Barrel reported fiscal 2023 first quarter revenue of \$839.5 million. Compared to the prior year first quarter, total revenue increased 7.0%. Comparable store restaurant sales increased 7.1%, while comparable store retail sales increased 4.3%. GAAP operating income for the first quarter was \$23.6 million, or 2.8% of total revenue, and adjusted operating income was \$30.0 million, or 3.6% of total revenue. GAAP net income was \$17.1 million, or 2.0% of total revenue. Adjusted EBITDA was \$54.8 million, or 6.5% of total revenue. GAAP earnings per diluted share were \$0.77, and adjusted earnings per diluted share were \$0.99. The Company announced that its Board of Directors declared a regular quarterly dividend of \$1.30 per share. The Company has appointed veteran restaurant leader, William Moreton, to its Board of Directors.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$4.97	\$5.64	\$6.82	\$7.86	\$8.37	\$9.23	\$9.03	\$2.04	\$5.14	\$6.09	<b>\$5.86</b>	<b>\$7.30</b>
<b>DPS</b>	\$2.25	\$3.00	\$7.10	\$7.70	\$8.15	\$4.85	\$8.05	\$3.90	\$1.00	\$5.20	<b>\$5.20</b>	<b>\$5.80</b>
<b>Shares<sup>1</sup></b>	23.8	23.8	24.0	24.0	24.1	24.0	24.0	23.7	23.5	22.2	<b>22.2</b>	<b>21.5</b>

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 rebounded significantly in fiscal 2022 from fiscal 2020 and 2021 numbers, its earnings performance will still likely remain below its pre-COVID-19 performance numbers. This also impacts our 2028 forecast as reduced cash flows will impact its ability to repurchase shares and reinvest in the business.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
<b>Avg. P/E</b>	13.1	11.2	15	18.1	19.2	18.5	18.7	28.2	26.8	16.3	<b>16.6</b>	<b>15.0</b>
<b>Avg. Yld.</b>	1.70%	2.20%	3.00%	3.20%	3.10%	3.10%	3.00%	5.00%	0.70%	5.20%	<b>5.3%</b>	<b>5.3%</b>

<sup>1</sup> Share count in millions

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Cracker Barrel stock currently trades for a price-to-earnings ratio of 16.6 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.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	45.3%	53.2%	104.1%	98.0%	97.4%	52.5%	89.1%	191.2%	19.5%	85.4%	<b>88.7%</b>	<b>79.5%</b>

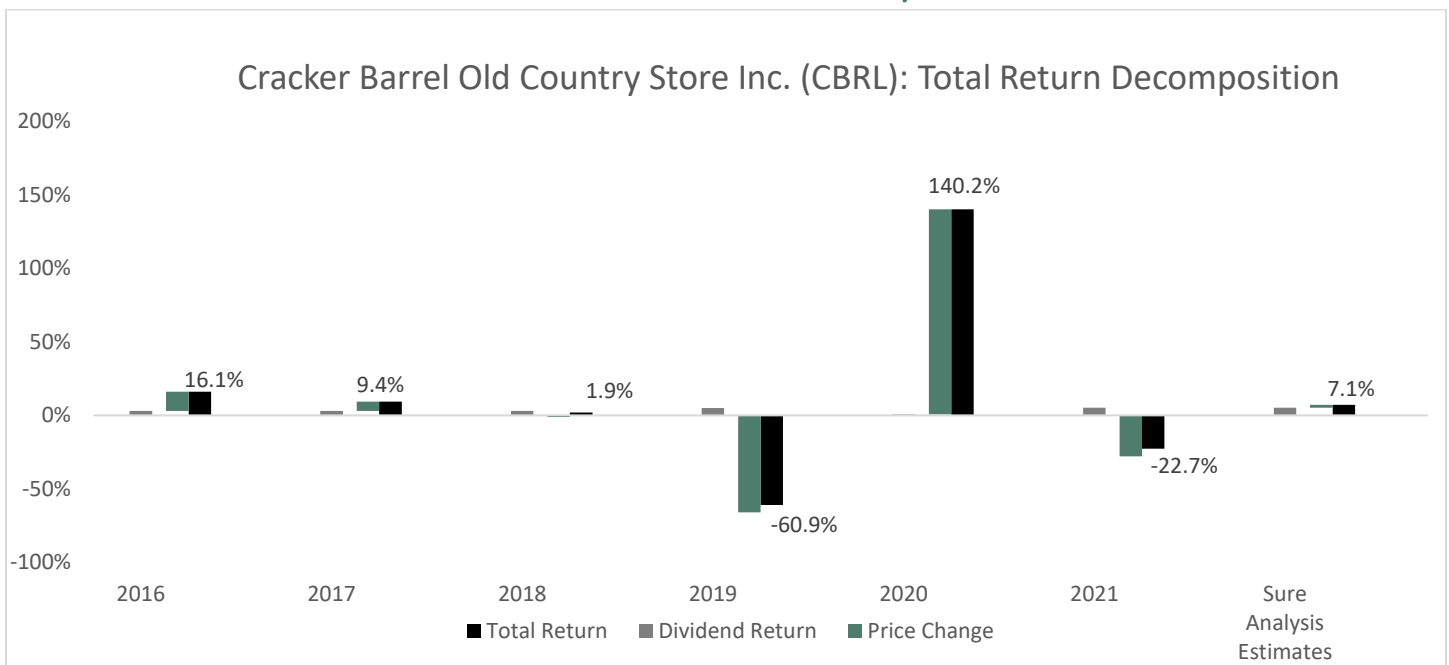
Cracker Barrel scores positively across our safety and quality metrics. The company is highly profitable, which leads to strong interest coverage. While the quarterly dividend was suspended during the height of the COVID-19 crisis, it has now been reinstated to its pre-COVID level and we foresee it recovering 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.

## Final Thoughts & Recommendation

Cracker Barrel is on its way towards recovering from the COVID-19 outbreak and related impacts. Its recent reinstatement of its quarterly dividend was a strong signal of management's bullishness on the business' long-term outlook. The stock appears to be slightly overvalued at the moment, resulting in an expected annual headwind from multiple contraction. Furthermore, due to our expectation that the business will grow at a meaningful rate in the coming years, our overall annualized total return expectation over the next half decade is decent at 7.1%, 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
<b>Revenue</b>	2,580	2,645	2,684	2,842	2,912	2,926	3,030	3,072	2,523	2,821
<b>Gross Profit</b>	337	345	338	402	423	455	437	436	203	973
<b>Gross Margin</b>	13.1%	13.0%	12.6%	14.2%	14.5%	15.5%	14.4%	14.2%	8.1%	34.5%
<b>SG&amp;A Exp.</b>	146	143	129	148	143	141	144	153	147	148
<b>D&amp;A Exp.</b>	64	66	68	73	78	86	94	108	118	121
<b>Operating Profit</b>	191	202	208	255	280	313	294	283	56	149
<b>Operating Margin</b>	7.4%	7.6%	7.8%	9.0%	9.6%	10.7%	9.7%	9.2%	2.2%	5.3%
<b>Net Profit</b>	103	117	132	164	189	202	248	223	(32)	255
<b>Net Margin</b>	4.0%	4.4%	4.9%	5.8%	6.5%	6.9%	8.2%	7.3%	-1.3%	9.0%
<b>Free Cash Flow</b>	139	134	86	243	157	210	178	225	(136)	232
<b>Income Tax</b>	43	49	59	74	77	97	31	43	(29)	56

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	1,419	1,388	1,432	1,576	1,498	1,522	1,527	1,581	2,544	2,392
<b>Cash &amp; Equivalents</b>	152	122	119	265	151	161	115	37	437	145
<b>Accounts Receivable</b>	15	16	23	18	19	18	19	23	20	27
<b>Inventories</b>	143	147	165	153	152	156	156	155	139	138
<b>Total Liabilities</b>	1,036	904	904	1,038	971	977	946	977	2,126	1,728
<b>Accounts Payable</b>	101	111	98	133	132	118	122	132	104	135
<b>Long-Term Debt</b>	525	400	400	400	400	400	400	400	949	327
<b>Shareholder's Equity</b>	383	484	529	538	526	545	582	605	418	664
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	7.6%	8.4%	9.4%	10.9%	12.3%	13.4%	16.2%	14.4%	-1.6%	10.3%
<b>Return on Equity</b>	31.7%	27.1%	26.1%	30.7%	35.6%	37.7%	44.0%	37.7%	-6.3%	47.0%
<b>ROIC</b>	11.9%	13.1%	14.6%	17.6%	20.3%	21.6%	25.7%	22.5%	-2.7%	21.6%
<b>Shares Out.</b>	22.8	23.5	23.8	23.8	24.0	24.0	24.1	24.0	23.6	23.5
<b>Revenue/Share</b>	110	110	111	118	120	121	126	127	106	119
<b>FCF/Share</b>	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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