



Cracker Barrel Old Country Store Inc. (CBRL)

Updated March 10th, 2023 by Samuel Smith

Key Metrics

| | | | | | |
|-----------------------------|--------|--|-------|----------------------------------|----------|
| Current Price: | \$106 | 5 Year CAGR Estimate: | 5.5% | Market Cap: | \$2.4B |
| Fair Value Price: | \$88.2 | 5 Year Growth Estimate: | 4.5% | Ex-Dividend Date: | 04/13/23 |
| % Fair Value: | 120% | 5 Year Valuation Multiple Estimate: | -3.6% | Dividend Payment Date: | 05/09/23 |
| Dividend Yield: | 4.9% | 5 Year Price Target | \$110 | Years Of Dividend Growth: | 0 |
| Dividend Risk Score: | F | Retirement Suitability Score: | D | Rating: | 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 \$2.4 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 second quarter results on February 28th. In the second quarter, the company's total revenue was \$933.9 million, which was an 8.3% increase from the prior year's second quarter. Comparable store restaurant sales increased 8.4%, while comparable store retail sales increased 4.1%. The GAAP operating income for the quarter was \$39.0 million, representing 4.2% of total revenue, and the adjusted¹ operating income was \$42.2 million, which was 4.5% of total revenue. The GAAP net income was \$30.5 million, or 3.3% of total revenue, and the EBITDA¹ was \$67.7 million, or 7.3% of total revenue. The GAAP earnings per diluted share were \$1.37, while the adjusted¹ earnings per diluted share were \$1.48. Additionally, the company announced that its Board of Directors declared a regular quarterly dividend of \$1.30 per share.

Growth on a Per-Share Basis

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$4.97 | \$5.64 | \$6.82 | \$7.86 | \$8.37 | \$9.23 | \$9.03 | \$2.04 | \$5.14 | \$6.09 | \$5.88 | \$7.33 |
| DPS | \$2.25 | \$3.00 | \$7.10 | \$7.70 | \$8.15 | \$4.85 | \$8.05 | \$3.90 | \$1.00 | \$5.20 | \$5.20 | \$6.00 |
| Shares¹ | 23.8 | 23.8 | 24.0 | 24.0 | 24.1 | 24.0 | 24.1 | 23.7 | 23.5 | 22.2 | 22.2 | 21.5 |

Cracker Barrel suffered immensely during the COVID-19 lockdowns but has bounced back pretty well. That said, its earnings per share have not even closely reached pre-COVID levels. That said, moving forward, we expect the company to continue growing earnings per share as well as dividends per share at a mid-single digit pace.

Valuation Analysis

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Now | 2028 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 13.1 | 11.2 | 15 | 18.1 | 19.2 | 18.5 | 18.7 | 28.2 | 26.8 | 16.3 | 18.0 | 15.0 |
| Avg. Yld. | 3.5% | 4.7% | 6.9% | 5.4% | 5.1% | 2.8% | 4.8% | 6.8% | 0.7% | 5.2% | 4.9% | 5.5% |

Cracker Barrel stock currently trades for a price-to-earnings ratio of 18 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 and higher interest rates. As a result, Cracker Barrel stock appears to be overvalued.

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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Safety, Quality, Competitive Advantage, & Recession Resiliency

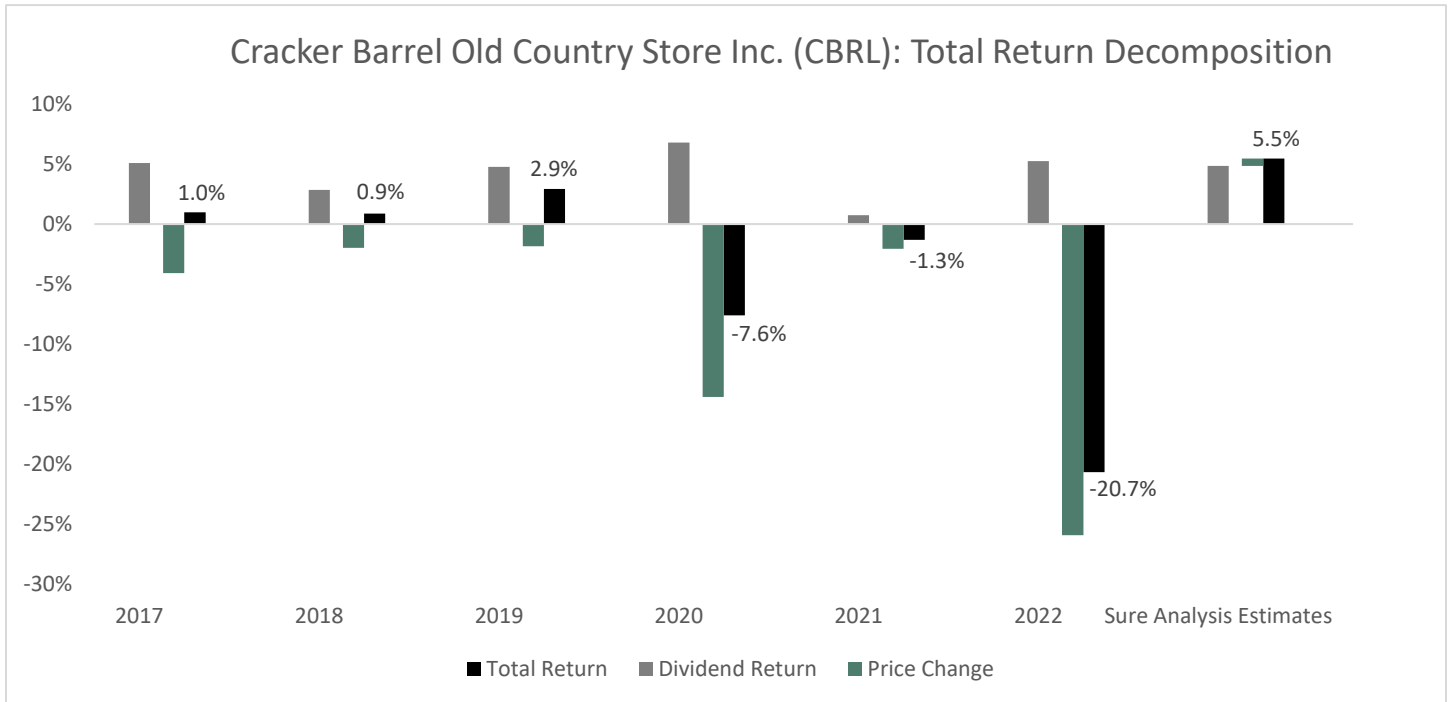
| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 45% | 53% | 104% | 98% | 97% | 53% | 89% | 191% | 19% | 85% | 88% | 82% |

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 growing over the next half decade. 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 5.5%, making the stock a Hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 2,645 | 2,684 | 2,842 | 2,912 | 2,926 | 3,030 | 3,072 | 2,523 | 2,821 | 3,268 |
| Gross Profit | 345 | 338 | 402 | 423 | 455 | 437 | 436 | 203 | 973 | 1,069 |
| Gross Margin | 13.0% | 12.6% | 14.2% | 14.5% | 15.5% | 14.4% | 14.2% | 8.1% | 34.5% | 32.7% |
| SG&A Exp. | 143 | 129 | 148 | 143 | 141 | 144 | 153 | 147 | 148 | 157 |
| D&A Exp. | 66 | 68 | 73 | 78 | 86 | 94 | 108 | 118 | 121 | 116 |
| Operating Profit | 202 | 208 | 255 | 280 | 313 | 294 | 283 | 56 | 149 | 153 |
| Operating Margin | 7.6% | 7.8% | 9.0% | 9.6% | 10.7% | 9.7% | 9.2% | 2.2% | 5.3% | 4.7% |
| Net Profit | 117 | 132 | 164 | 189 | 202 | 248 | 223 | (32) | 255 | 132 |
| Net Margin | 4.4% | 4.9% | 5.8% | 6.5% | 6.9% | 8.2% | 7.3% | -1.3% | 9.0% | 4.0% |
| Free Cash Flow | 134 | 86 | 243 | 157 | 210 | 178 | 225 | (136) | 232 | 107 |
| Income Tax | 49 | 59 | 74 | 77 | 97 | 31 | 43 | (29) | 56 | 12 |

Balance Sheet Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 1,388 | 1,432 | 1,576 | 1,498 | 1,522 | 1,527 | 1,581 | 2,544 | 2,392 | 2,295 |
| Cash & Equivalents | 122 | 119 | 265 | 151 | 161 | 115 | 37 | 437 | 145 | 45 |
| Accounts Receivable | 16 | 23 | 18 | 19 | 18 | 19 | 23 | 20 | 27 | 213 |
| Inventories | 147 | 165 | 153 | 152 | 156 | 156 | 155 | 139 | 138 | 26 |
| Total Liabilities | 904 | 904 | 1,038 | 971 | 977 | 946 | 977 | 2,126 | 1,728 | 1,783 |
| Accounts Payable | 111 | 98 | 133 | 132 | 118 | 122 | 132 | 104 | 135 | 170 |
| Long-Term Debt | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 949 | 327 | 423 |
| Shareholder's Equity | 484 | 529 | 538 | 526 | 545 | 582 | 605 | 418 | 664 | 511 |
| LTD/E Ratio | 0.83 | 0.76 | 0.74 | 0.76 | 0.73 | 0.69 | 0.66 | 2.27 | 0.49 | 0.83 |

Profitability & Per Share Metrics

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| Return on Assets | 8.4% | 9.4% | 10.9% | 12.3% | 13.4% | 16.2% | 14.4% | -1.6% | 10.3% | 5.6% |
| Return on Equity | 27.1% | 26.1% | 30.7% | 35.6% | 37.7% | 44.0% | 37.7% | -6.3% | 47.0% | 22.4% |
| ROIC | 13.1% | 14.6% | 17.6% | 20.3% | 21.6% | 25.7% | 22.5% | -2.7% | 21.6% | 13.7% |
| Shares Out. | 23.5 | 23.8 | 23.8 | 24.0 | 24.0 | 24.1 | 24.0 | 23.6 | 23.5 | 22.2 |
| Revenue/Share | 110 | 111 | 118 | 120 | 121 | 126 | 127 | 106 | 119 | 141 |
| FCF/Share | 5.60 | 3.59 | 10.11 | 6.54 | 8.71 | 7.41 | 9.32 | (5.71) | 9.75 | 4.60 |

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

Disclaimer

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