



# Cracker Barrel Old Country Store Inc. (CBRL)

Updated June 12<sup>th</sup>, 2023 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$93	<b>5 Year CAGR Estimate:</b>	8.3%	<b>Market Cap:</b>	\$2.0B
<b>Fair Value Price:</b>	\$88	<b>5 Year Growth Estimate:</b>	4.5%	<b>Ex-Dividend Date:</b>	7/20/23
<b>% Fair Value:</b>	105%	<b>5 Year Valuation Multiple Estimate:</b>	-1.1%	<b>Dividend Payment Date:</b>	8/8/23
<b>Dividend Yield:</b>	5.6%	<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 \$2.0 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 third quarter results on June 6<sup>th</sup>. In Q3, the non-GAAP EPS of \$1.21 fell short by \$0.13. Additionally, the revenue of \$832.7 million, representing a year-over-year increase of 5.4%, missed by \$13.01 million. The comparable store restaurant sales saw a positive growth of 7.4%, while the comparable store retail sales experienced a decline of 4.6%.

Looking ahead to Q4, the company anticipates a total revenue growth rate ranging from 1% to 3% compared to the same quarter of the previous year. The company plans to open one new Cracker Barrel unit and five to seven new Maple Street Biscuit Company units during this period. They expect commodity inflation to be roughly flat, while wage inflation is projected to be around 5% compared to the previous year quarter.

## 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>\$5.88</b>	<b>\$7.33</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>\$6.00</b>
<b>Shares<sup>1</sup></b>	23.8	23.8	24.0	24.0	24.1	24.0	24.1	23.7	23.5	22.2	<b>22.2</b>	<b>21.5</b>

Cracker Barrel suffered immensely during the COVID-19 lockdowns but has bounced back pretty well. That said, its earnings per share have not returned to anything like 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
<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>15.8</b>	<b>15.0</b>
<b>Avg. Yld.</b>	3.5%	4.7%	6.9%	5.4%	5.1%	2.8%	4.8%	6.8%	0.7%	5.2%	<b>5.6%</b>	<b>5.5%</b>

Cracker Barrel stock currently trades for a price-to-earnings ratio of 15.8 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 slightly overvalued.

<sup>1</sup> 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

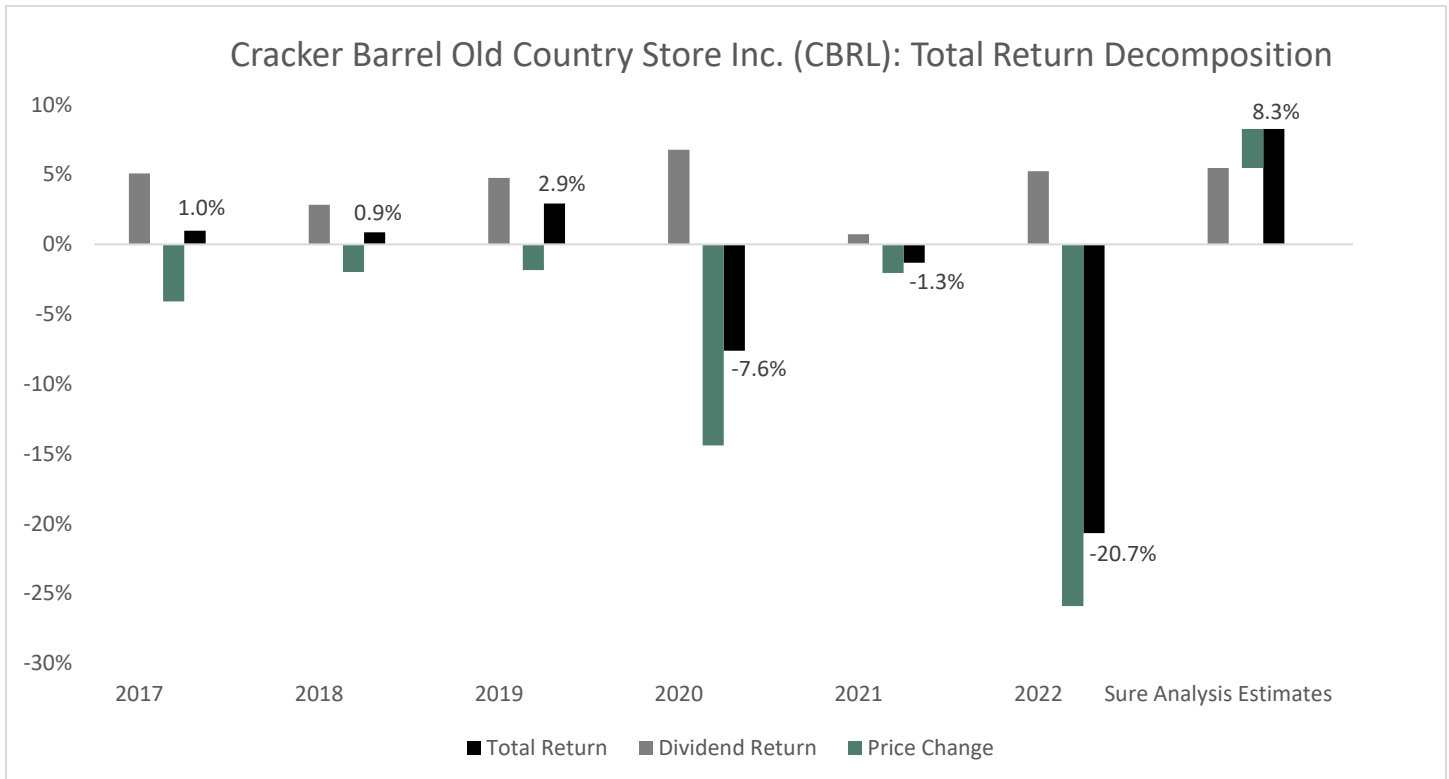
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	45%	53%	104%	98%	97%	53%	89%	191%	19%	85%	<b>88%</b>	<b>82%</b>

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 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 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 8.3%, 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
<b>Revenue</b>	2,645	2,684	2,842	2,912	2,926	3,030	3,072	2,523	2,821	3,268
<b>Gross Profit</b>	345	338	402	423	455	437	436	203	973	1,069
<b>Gross Margin</b>	13.0%	12.6%	14.2%	14.5%	15.5%	14.4%	14.2%	8.1%	34.5%	32.7%
<b>SG&amp;A Exp.</b>	143	129	148	143	141	144	153	147	148	157
<b>D&amp;A Exp.</b>	66	68	73	78	86	94	108	118	121	116
<b>Operating Profit</b>	202	208	255	280	313	294	283	56	149	153
<b>Operating Margin</b>	7.6%	7.8%	9.0%	9.6%	10.7%	9.7%	9.2%	2.2%	5.3%	4.7%
<b>Net Profit</b>	117	132	164	189	202	248	223	(32)	255	132
<b>Net Margin</b>	4.4%	4.9%	5.8%	6.5%	6.9%	8.2%	7.3%	-1.3%	9.0%	4.0%
<b>Free Cash Flow</b>	134	86	243	157	210	178	225	(136)	232	107
<b>Income Tax</b>	49	59	74	77	97	31	43	(29)	56	12

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	1,388	1,432	1,576	1,498	1,522	1,527	1,581	2,544	2,392	2,295
<b>Cash &amp; Equivalents</b>	122	119	265	151	161	115	37	437	145	45
<b>Accounts Receivable</b>	16	23	18	19	18	19	23	20	27	213
<b>Inventories</b>	147	165	153	152	156	156	155	139	138	26
<b>Total Liabilities</b>	904	904	1,038	971	977	946	977	2,126	1,728	1,783
<b>Accounts Payable</b>	111	98	133	132	118	122	132	104	135	170
<b>Long-Term Debt</b>	400	400	400	400	400	400	400	949	327	423
<b>Shareholder's Equity</b>	484	529	538	526	545	582	605	418	664	511
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	8.4%	9.4%	10.9%	12.3%	13.4%	16.2%	14.4%	-1.6%	10.3%	5.6%
<b>Return on Equity</b>	27.1%	26.1%	30.7%	35.6%	37.7%	44.0%	37.7%	-6.3%	47.0%	22.4%
<b>ROIC</b>	13.1%	14.6%	17.6%	20.3%	21.6%	25.7%	22.5%	-2.7%	21.6%	13.7%
<b>Shares Out.</b>	23.5	23.8	23.8	24.0	24.0	24.1	24.0	23.6	23.5	22.2
<b>Revenue/Share</b>	110	111	118	120	121	126	127	106	119	141
<b>FCF/Share</b>	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.

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