



Cracker Barrel Old Country Store Inc. (CBRL)

Updated September 18th, 2023 by Samuel Smith

Key Metrics

Current Price:	\$69	5 Year CAGR Estimate:	14.1%	Market Cap:	\$1.5B
Fair Value Price:	\$80	5 Year Growth Estimate:	5.6%	Ex-Dividend Date:	10/19/23
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	3.0%	Dividend Payment Date:	11/7/23
Dividend Yield:	7.5%	5 Year Price Target	\$105	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Buy

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 \$1.5 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 fourth quarter results on September 13th. In the fourth quarter, Cracker Barrel reported Non-GAAP earnings per share of \$1.79, surpassing expectations by \$0.18. However, their revenue of \$836.7 million, showing a modest 0.8% year-over-year growth, fell short of estimates by \$4.89 million. The restaurant chain experienced a 2.4% increase in comparable store restaurant sales, driven in part by an 8.7% menu price increase. On the flip side, comparable store retail sales declined by 6.8% compared to the same period last year.

Looking ahead to the first quarter, Cracker Barrel provided guidance, anticipating total revenue in the range of \$800 million to \$850 million. They plan to open 1 to 2 new Cracker Barrel stores and 4 to 5 new Maple Street Biscuit Company units. The company also expects 1% to 2% commodity deflation and 4% to 5% wage inflation. They project a GAAP operating income margin of 1.55% to 2.55% and an adjusted operating income margin of 2.25% to 3.25%, which considers various factors like amortization, CEO transition expenses, and a corporate restructuring charge. Additionally, Cracker Barrel plans capital expenditures between \$27 million and \$32 million.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$5.64	\$6.82	\$7.86	\$8.37	\$9.23	\$9.03	\$2.04	\$5.14	\$6.09	\$5.47	\$5.34	\$7.00
DPS	\$3.00	\$7.10	\$7.70	\$8.15	\$4.85	\$8.05	\$3.90	\$1.00	\$5.20	\$5.20	\$5.20	\$6.00
Shares¹	23.8	24.0	24.0	24.1	24.0	24.1	23.7	23.5	22.2	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 returned to anything like pre-COVID levels. That said, moving forward, we expect the company to continue growing earnings per share at a 5.6% annualized pace and expect the dividend to grow at a much slower pace as the company tries to bring its payout ratio down from its current elevated level.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	11.2	15	18.1	19.2	18.5	18.7	28.2	26.8	16.3	15.8	12.9	15.0
Avg. Yld.	4.7%	6.9%	5.4%	5.1%	2.8%	4.8%	6.8%	0.7%	5.2%	6.0%	7.5%	5.7%

Cracker Barrel stock currently trades for a price-to-earnings ratio of 12.9 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

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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15 due to a weakened outlook for the industry and higher interest rates. As a result, Cracker Barrel stock appears to be undervalued at the moment and set up for valuation multiple expansion in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

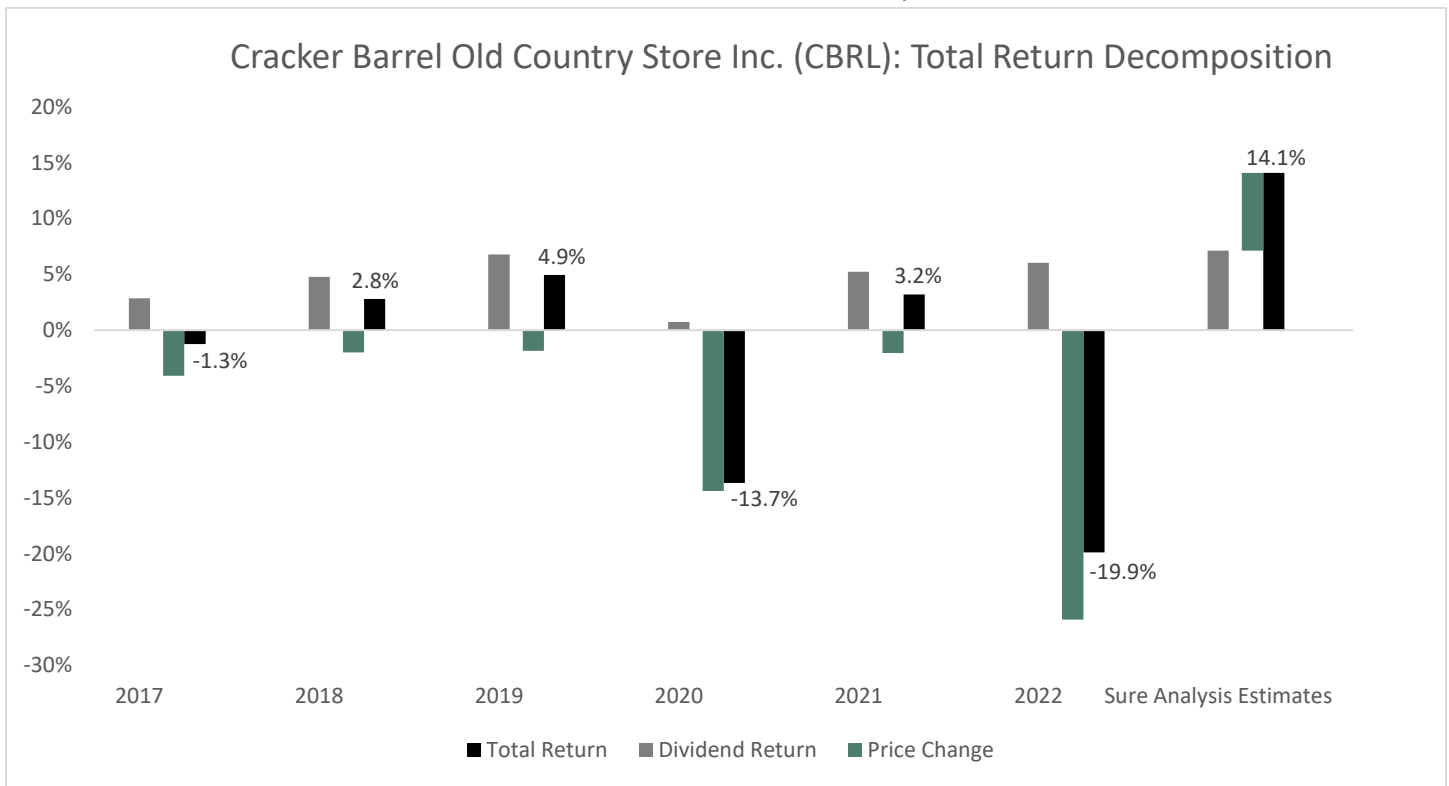
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	53%	104%	98%	97%	53%	89%	191%	19%	85%	95%	97%	86%

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 stock appears to be undervalued at the moment, resulting in an expected annual tailwind from multiple expansion alongside strong growth potential and a very attractive current dividend yield. 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 very attractive at 14.1%, making the stock a Buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,684	2,842	2,912	2,926	3,030	3,072	2,523	2,821	3,268	3,443
Gross Profit	338	402	423	455	437	436	203	973	1,069	1,107
Gross Margin	12.6%	14.2%	14.5%	15.5%	14.4%	14.2%	8.1%	34.5%	32.7%	32.1%
SG&A Exp.	129	148	143	141	144	153	147	148	157	174
D&A Exp.	68	73	78	86	94	108	118	121	116	117
Operating Profit	208	255	280	313	294	283	56	149	153	135
Operating Margin	7.8%	9.0%	9.6%	10.7%	9.7%	9.2%	2.2%	5.3%	4.7%	3.9%
Net Profit	132	164	189	202	248	223	(32)	255	132	99
Net Margin	4.9%	5.8%	6.5%	6.9%	8.2%	7.3%	-1.3%	9.0%	4.0%	2.9%
Free Cash Flow	86	243	157	210	178	225	(136)	232	107	125
Income Tax	59	74	77	97	31	43	(29)	56	12	5

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,432	1,576	1,498	1,522	1,527	1,581	2,544	2,392	2,295	2,218
Cash & Equivalents	119	265	151	161	115	37	437	145	45	25
Accounts Receivable	23	18	19	18	19	23	20	27	213	30
Inventories	165	153	152	156	156	155	139	138	26	189
Total Liabilities	904	1,038	971	977	946	977	2,126	1,728	1,783	1,734
Accounts Payable	98	133	132	118	122	132	104	135	170	165
Long-Term Debt	400	400	400	400	400	400	949	327	423	415
Shareholder's Equity	529	538	526	545	582	605	418	664	511	484
LTD/E Ratio	0.76	0.74	0.76	0.73	0.69	0.66	2.27	0.49	0.83	0.86

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.4%	10.9%	12.3%	13.4%	16.2%	14.4%	-1.6%	10.3%	5.6%	4.4%
Return on Equity	26.1%	30.7%	35.6%	37.7%	44.0%	37.7%	-6.3%	47.0%	22.4%	19.9%
ROIC	14.6%	17.6%	20.3%	21.6%	25.7%	22.5%	-2.7%	21.6%	13.7%	10.8%
Shares Out.	23.8	23.8	24.0	24.0	24.1	24.0	23.6	23.5	22.2	22.2
Revenue/Share	111	118	120	121	126	127	106	119	141	155
FCF/Share	3.59	10.11	6.54	8.71	7.41	9.32	(5.71)	9.75	4.60	5.62

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

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