

Cracker Barrel

CBRL 2Q EPS Preview: Pricing supports topline; margin recovery less clear

Reiterate Rating: UNDERPERFORM | PO: 76.00 USD | Price: 71.61 USD

Expect pricing, unit growth to support topline

Cracker Barrel (CBRL) reports 2QF24 EPS (January quarter-end) on 2/27. During the C4Q earnings season to-date, casual dining peers (EAT, TXRH) have reported taking additional price increases to offset commodity and other inflation. EAT and TXRH also reported traffic growth ahead of consensus, suggesting November/December were strong for the industry. While January was soft, CDRs noted recovery as weather improved late in the month through Feb. Given demand and competitive dynamics, we expect CBRL to have taken more pricing in 2Q (we model 6.0% vs 4.5% prior); for F24, our we now expect pricing at the high end of CBRL's guidance (of 4.5-5.0%). We also model 1 Cracker Barrel unit opening in 2Q (vs 0 prior) as we pull forward the timing based on real-time location data (Aggdata). Our 2Q revenue increases to \$930mm (vs \$921mm prior).

Higher resty expenses, G&A to offset favorable COGS

We expect 2Q restaurant margins to benefit as higher pricing (6 pts) offsets lower restaurant COGS (we model -200 bps y/y as % of restaurant sales). Though we expect price/cost to remain favorable (5 pts price vs ~MSD inflation for F24), increased operating expenses and G&A could continue to pressure profitability.

Lower F24 EPS on higher G&A, interest expense

We are raising our 2Q SSSG slightly (to 0.2% vs 0.0% prior) as higher pricing is largely offset by continued negative traffic/mix. We lower our 2Q EPS to \$1.39 (vs \$1.42 prior) as we expect favorable gross margins to be offset by higher G&A. Our F24 EPS moves to \$4.80 (vs \$5.15 prior), reflecting increased G&A, interest, and tax expenses.

Raising PO on higher market multiple; Reit. U/P rating

Relative to the S&P 500, CBRL's 0.8x P/E multiple is below its 10-year historical average (0.9x). While we see potential for CBRL to benefit in the short term from reinvesting into marketing (i.e., increased national and local TV advertising), we remain cautious on longer term margin recovery as ongoing marketing needs and other investments offset. And with CBRL's brand reinvestment strategy in early stages, we expect valuation to remain compressed. Applying an unchanged 0.7x relative P/E multiple (implies 14x absolute, higher vs 12x prior owing to higher market multiples) to our 12 month forward EPS (2Q25-1Q26: \$5.42) we arrive at our \$76 PO (vs \$68 prior).

Estimates (Jul) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.10	5.47	4.80	5.35	5.81
GAAP EPS	5.68	4.45	3.43	4.55	5.01
EPS Change (YoY)	18.2%	-10.3%	-12.2%	11.5%	8.6%
Consensus EPS (Bloomberg)		4.79	5.35	5.91	
DPS	4.94	5.21	5.42	5.64	5.86
Valuation (Jul)					
P/E	11.7x	13.1x	14.9x	13.4x	12.3x
Dividend Yield	6.9%	7.3%	7.6%	7.9%	8.2%
EV / EBITDA*	11.6x	13.3x	13.9x	12.5x	11.9x
Free Cash Flow Yield*	6.2%	7.2%	8.3%	6.4%	7.4%

* For full definitions of *IQmethod*SM measures, see page 6.

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Timestamp: 21 February 2024 05:00AM EST

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	68.00	76.00
2024E Rev (m)	3,478.7	3,482.9
2025E Rev (m)	3,513.1	3,517.2
2026E Rev (m)	3,599.3	3,603.4
2024E EPS	5.15	4.80
2025E EPS	5.46	5.35
2026E EPS	5.86	5.81

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Stock Data

Price	71.61 USD
Price Objective	76.00 USD
Date Established	20-Feb-2024
Investment Opinion	B-3-7
52-Week Range	62.69 USD - 121.17 USD
Mkt Val (mn) / Shares Out (mn)	1,722 USD / 24.0
Free Float	98.0%
Average Daily Value (mn)	37.83 USD
BofA Ticker / Exchange	CBRL / NAS
Bloomberg / Reuters	CBRL US / CBRL.OQ
ROE (2024E)	23.0%
Net Dbt to Eqty (Jul-2023A)	80.6%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

TXRH: Texas Roadhouse
EAT: Brinker International
MSD: mid-single digit

iQprofileSM Cracker Barrel

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.4%	6.2%	5.3%	7.0%	7.4%
Return on Equity	24.1%	24.5%	23.0%	27.1%	30.3%
Operating Margin	4.7%	3.5%	2.9%	3.8%	3.9%
Free Cash Flow	107	123	143	111	128

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	2.1x	2.6x	1.9x	1.8x
Asset Replacement Ratio	0.9x	1.2x	1.2x	1.0x	1.0x
Tax Rate	8.0%	4.4%	6.0%	10.0%	10.0%
Net Debt-to-Equity Ratio	73.9%	80.6%	82.7%	89.7%	92.9%
Interest Cover	15.9x	7.1x	5.1x	6.6x	8.0x

Income Statement Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,268	3,443	3,483	3,517	3,603
% Change	15.8%	5.4%	1.2%	1.0%	2.5%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	257	224	213	238	250
% Change	-46.0%	-12.8%	-4.8%	11.7%	4.8%
Net Interest & Other Income	(10)	(17)	(20)	(20)	(18)
Net Income (Adjusted)	142	122	107	119	129
% Change	15.9%	-13.9%	-12.3%	11.4%	8.6%

Free Cash Flow Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	132	99	76	101	112
Depreciation & Amortization	104	104	112	106	108
Change in Working Capital	(117)	(55)	75	3	6
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	87	102	10	11	12
Capital Expenditure	(98)	(127)	(130)	(110)	(110)
Free Cash Flow	107	123	143	111	128
% Change	-53.9%	15.5%	15.8%	-22.5%	15.7%
Share / Issue Repurchase	(134)	(20)	(2)	(2)	(2)
Cost of Dividends Paid	(115)	(116)	(121)	(126)	(131)
Change in Debt	45	(10)	(10)	40	40

Balance Sheet Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	45	25	35	58	93
Trade Receivables	32	30	31	31	32
Other Current Assets	240	227	221	220	224
Property, Plant & Equipment	970	972	990	995	997
Other Non-Current Assets	1,008	964	964	964	964
Total Assets	2,295	2,218	2,240	2,267	2,309
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	502	489	558	560	572
Long-Term Debt	423	415	405	445	485
Other Non-Current Liabilities	858	830	830	830	830
Total Liabilities	1,783	1,734	1,793	1,835	1,887
Total Equity	511	484	447	432	422
Total Equity & Liabilities	2,295	2,218	2,240	2,267	2,309

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Restaurants

Company Description

Cracker Barrel Old Country Store is a unique family dining concept with more than 600 stores, featuring country-style cooking and a retail gift-shop area. The real estate heavy concept is 100% company-owned and concentrated in the Southern U.S., most often near or adjacent to interstate highways, targeting traveling families. The retail business accounts for 19% of annual sales.

Investment Rationale

While Cracker Barrel has consistently outpaced both family dining and casual dining segment averages, we expect that inflation and lapping of stimulus will drag on a consumer base that is both older and lower income than average, maintaining pressure on CBRL in the near-term.

Stock Data

Average Daily Volume

528,345

Exhibit 1: Our 2Q revenue estimates are slightly above consensus while EPS is in line to below

CBRL BofA estimates vs Visible Alpha consensus

	2024E			3Q24E			2024E			2025E		
	BofAe	Consensus	% var	BofAe	Consensus	% var	BofAe	Consensus	% var	BofAe	Consensus	% var
Restaurant SSS	0.2%	-0.6%	1 ppts	1.0%	-0.2%	1 ppts	0.4%	0.0%	0 ppts	2.0%	2.4%	0 ppts
Retail SSS	-5.0%	-5.1%	0 ppts	-3.0%	-1.8%	-1 ppts	-4.9%	-3.7%	-1 ppts	2.0%	1.4%	1 ppts
Average total units	723	722	0%	727	725	0%	725	725	0%	737	737	0%
CB Restaurant Sales	\$707.2	\$712.1	-1%	\$670.8	\$681.7	-2%	\$2,745.0	\$2,792.6	-2%	\$2,752.9	\$2,826.4	-3%
CB Retail Sales	\$203.0	\$204.8	-1%	\$145.6	\$147.7	-1%	\$663.1	\$682.8	-3%	\$676.7	\$685.4	-1%
Total Company Sales	\$929.6	\$916.9	1%	\$836.2	\$829.4	1%	\$3,482.9	\$3,477.4	0%	\$3,517.2	\$3,511.8	0%
CB Restaurant COGS	\$192.9	\$193.6	0%	\$174.8	\$179.2	-2%	\$723.3	\$744.6	-3%	\$707.1	\$747.1	-5%
CB Retail COGS	\$109.5	\$110.2	-1%	\$73.2	\$73.0	0%	\$338.6	\$348.3	-3%	\$345.5	\$349.1	-1%
COGS	\$307.2	\$303.4	1%	\$252.8	\$255.1	-1%	\$1,080.1	\$1,092.5	-1%	\$1,074.2	\$1,098.6	-2%
Labor & Related	\$326.5	\$324.0	1%	\$309.8	\$303.9	2%	\$1,274.6	\$1,262.8	1%	\$1,284.5	\$1,272.2	1%
Other Store Operating	\$216.8	\$212.7	2%	\$204.8	\$201.6	2%	\$839.0	\$831.6	1%	\$839.8	\$832.3	1%
G & A	\$50.1	\$50.3	0%	\$45.0	\$46.7	-4%	\$187.8	\$193.8	-3%	\$186.1	\$181.9	2%
Operating Income	\$29.0	\$25.6	13%	\$23.8	\$24.7	-4%	\$101.3	\$104.9	-3%	\$132.6	\$133.1	0%
Interest Expense	\$5.0	\$5.1	-2%	\$5.0	\$4.9	1%	\$19.9	\$19.9	0%	\$20.0	\$19.2	4%
Taxes	\$1.3	\$1.3	0%	\$0.9	\$0.9	10%	\$4.9	\$4.5	8%	\$11.3	\$9.1	24%
Net Income, reported	\$22.7	\$25.6	-11%	\$17.8	\$22.5	-21%	\$76.5	\$88.7	-14%	\$101.3	\$110.4	-8%
Adj. EBITDA	\$62.0	\$64.5	-4%	\$53.7	\$59.8	-10%	\$224.0	\$245.1	-9%	\$247.8	\$259.6	-5%
Adj. EBITDA margin	6.7%	7.0%	-37 bps	6.4%	7.2%	-79 bps	6.4%	7.0%	-62 bps	7.0%	7.4%	-35 bps
Adj. Diluted EPS	\$1.39	\$1.36	2%	\$1.17	\$1.18	-1%	\$4.80	\$4.80	0%	\$5.35	\$5.28	1%

Source: BofA Global Research estimates, Visible Alpha consensus

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Exhibit 2: We raise our revenue estimates on higher pricing; increased G&A, interest and taxes lower our EPS

CBRL BofA estimate changes summary

	Prior	New	Prior	New	Prior	New	Prior	New
	2Q24E	2Q24E	3Q24E	3Q24E	2024E	2024E	2025E	2025E
Restaurant SSSG	0.0%	0.2%	1.0%	1.0%	0.4%	0.4%	2.0%	2.0%
Total Revenue (including MSBC)	\$921	\$930	\$836	\$836	\$3,479	\$3,483	\$3,513	\$3,517
Adjusted EBITDA	\$62	\$62	\$56	\$54	\$224	\$224	\$249	\$248
Adjusted EPS	\$1.42	\$1.39	\$1.41	\$1.17	\$5.15	\$4.80	\$5.46	\$5.35

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 3: We forecast F24 EPS of \$4.80 and F25 EPS of \$5.35

CBRL Income Statement, F23-F25E

(\$ millions; FYE July)	2023	1Q24	2Q24E	3Q24E	4Q24E	2024E	2025E
CB Restaurant Sales	2,678.7	644.9	707.2	670.8	722.1	2,745.0	2,752.9
CB Retail Sales	701.6	163.0	203.0	145.6	151.4	663.1	676.7
Maple Street Biscuit	62.6	15.9	19.4	19.8	19.8	74.8	87.6
Total Company Sales	3,442.8	823.8	929.6	836.2	893.2	3,482.9	3,517.2
Yr/Yr Growth	5.4%	-1.9%	-0.5%	0.4%	6.8%	1.2%	1.0%
Expenses:							
CB Restaurant COGS	754.1	169.6	192.9	174.8	186.0	723.3	707.1
CB Retail COGS	358.1	82.1	109.5	73.2	73.8	338.6	345.5
Maple Street Biscuit COGS		3.9	4.8	4.8	4.8		
COGS	1,127.6	255.6	307.2	252.8	264.6	1,080.1	1,074.2
Gross Profit	2,315.2	568.3	622.4	583.4	628.6	2,402.7	2,443.0
Labor & Related	1,208.7	304.4	326.5	309.8	333.8	1,274.6	1,284.5
Other Store Operating	797.8	203.7	216.8	204.8	213.8	839.0	839.8
Impairment and Store Closing	14.0	-	-	-	-	-	-
G & A	174.1	48.7	50.1	45.0	44.0	187.8	186.1
Gain (loss) in unconsolidated affiliates	-	-	-	-	-	-	-
Gain on sale-leaseback	-	-	-	-	-	-	-



Exhibit 3: We forecast F24 EPS of \$4.80 and F25 EPS of \$5.35

CBRL Income Statement, F23-F25E

(\$ millions; FYE July)	2023	1Q24	2Q24E	3Q24E	4Q24E	2024E	2025E
Operating Expenses	2,195	557	593	560	592	2,301	2,310
Operating Income	120.6	11.4	29.0	23.8	37.1	101.3	132.6
Adj. Operating Income	133.4	19.0	37.2	32.0	45.3	133.4	145.3
Adj. EBITDA	\$229.4	\$39.5	\$62.0	\$53.7	\$68.8	\$224.0	\$247.8
Interest Expense	17.0	4.9	5.0	5.0	5.0	19.9	20.0
Interest & Other Expense (Income)	-	-	-	-	-	-	-
Pretax Income	103.6	6.5	24.0	18.8	32.1	81.4	112.6
Taxes	4.6	1.0	1.3	0.9	1.6	4.9	11.3
Tax Rate	4.4%	14.7%	5.5%	5.0%	5.0%	6.0%	10.0%
Net Income, reported	99.1	5.5	22.7	17.8	30.5	76.5	101.3
EPS, reported	\$4.45	\$0.25	\$1.02	\$0.80	\$1.37	\$3.43	\$4.55
Net Income Margin							
Total Nonrecurring Items	22.8	5.8	8.2	8.2	8.2	30.4	17.7
Pro-Forma Net Income	121.9	11.3	30.9	26.0	38.7	106.8	119.0
Adj. Diluted EPS	\$5.47	\$0.51	\$1.39	\$1.17	\$1.74	\$4.80	\$5.35

Source: BofA Global Research estimates, Company filings

BofA GLOBAL RESEARCH



Price objective basis & risk

Cracker Barrel (CBRL)

Relative to the market, CBRL's P/E multiple is below its 10-year historical average of 0.9x. We expect valuation to remain compressed as demand headwinds among CBRL's largest customer base (65+ and older, lower income) and broader discretionary spending pressures persist. We apply a 0.7x relative P/E multiple to our forward estimates 12 months from now (2Q25-1Q26, \$5.42) to arrive at a \$76 PO, that translates into an absolute PE of 14.0x.

Upside risks: higher-than-expected same store sales growth from digital/off-premise sales initiatives, faster-than-expected recovery in post-pandemic travel and tourism demand, better-than-expected contributions from the Maple Street Biscuit Company acquisition. Downside risks: higher-than-expected wage inflation, worse-than-expected margin contraction from elevated food costs, sluggish recovery in leisure travel demand.

Analyst Certification

I, Katherine Griffin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Restaurants Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Chipotle Mexican Grill	CMG	CMG US	Sara Senatore
	Darden Restaurants	DRI	DRI US	Sara Senatore
	Domino's Pizza	DPZ	DPZ US	Sara Senatore
	Dutch Bros	BROS	BROS US	Sara Senatore
	First Watch	FWRG	FWRG US	Sara Senatore
	Jack in the Box	JACK	JACK US	Sara Senatore
	Krispy Kreme	DNUT	DNUT US	Sara Senatore
	Papa John's International	PZZA	PZZA US	Sara Senatore
	Portillo's Inc.	PTLO	PTLO US	Sara Senatore
	Starbucks	SBUX	SBUX US	Sara Senatore
	Sweetgreen	SG	SG US	Katherine Griffin
	Texas Roadhouse	TXRH	TXRH US	Sara Senatore
	Wingstop Inc	WING	WING US	Sara Senatore
NEUTRAL				
	Bloomin Brands	BLMN	BLMN US	Sara Senatore
	McDonald's	MCD	MCD US	Sara Senatore
	Shake Shack	SHAK	SHAK.US	Sara Senatore
	The Cheesecake Factory	CAKE	CAKE US	Katherine Griffin
	Yum Brands Inc	YUM	YUM US	Sara Senatore
UNDERPERFORM				
	Brinker International	EAT	EAT US	Katherine Griffin
	Cracker Barrel	CBRL	CBRL US	Katherine Griffin
	Restaurant Brands International	YQSR	QSR CN	Sara Senatore
	Restaurant Brands International Inc.	QSR	QSR US	Sara Senatore
	Wendy's Co	WEN	WEN US	Sara Senatore



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

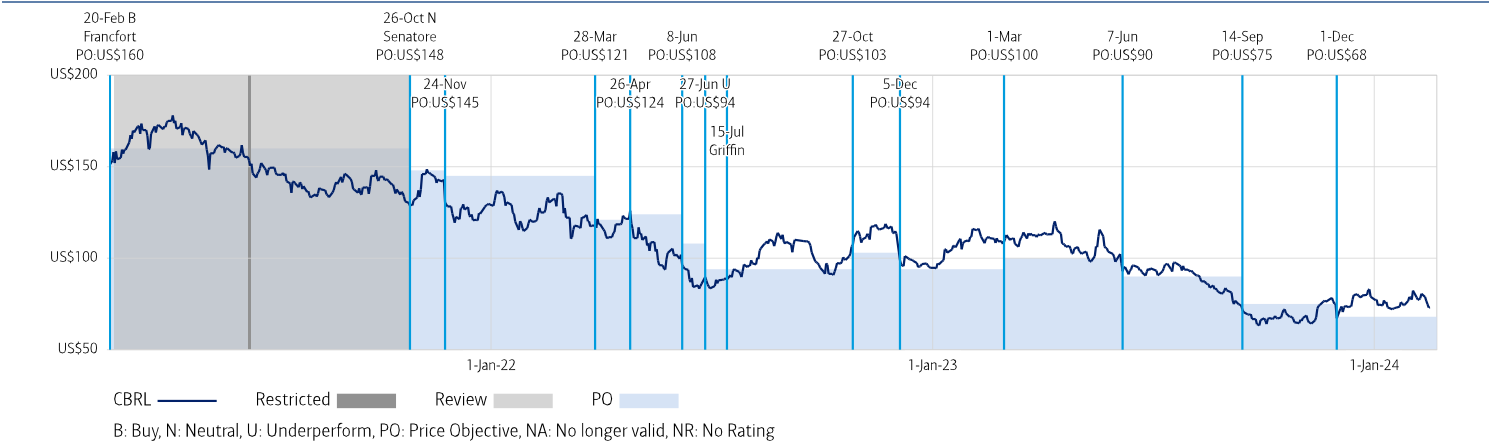
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Disclosures

Important Disclosures

Cracker Barrel (CBRL) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Restaurants Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	21	58.33%	Buy	10	47.62%
Hold	10	27.78%	Hold	3	30.00%
Sell	5	13.89%	Sell	4	80.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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