

Cracker Barrel

Topline performance solid; reinvestment needs limit upside to F24 EPS

Reiterate Rating: UNDERPERFORM | PO: 76.00 USD | Price: 70.10 USD

Traffic improves as advertising builds awareness

Cracker Barrel's (CBRL) F2Q traffic (of -4 ppt) outperformed vs the casual dining industry (vs Black Box Intelligence CDR traffic -5.4 ppt for Nov/Dec/Jan), a notable improvement q/q (vs CBRL traffic -7.1 ppt in F1Q vs industry traffic -3.6 ppt). Given that January weather likely placed downward pressure on 2Q traffic, the sequential improvement from F1Q may have been even stronger in Nov/Dec. CBRL is seeing positive traction from increased advertising (which included seasonal promotions and a new campaign around the launch of Cracker Barrel rewards) and is planning additional advertising to build on momentum. To this point, CBRL's marketing spend as a % of sales is expected to increase to ~3-3.5% (vs mid to high 2% historically).

Ongoing investments could keep margins under pressure

While increased advertising is benefitting SSSG (and underpins CBRL's raised F24 revenue guidance), we expect EBIT margins to remain pressured near term as a broader strategic transformation takes shape. F24 is an investment year that calls for not only higher advertising dollars, but faster growth in other restaurant expense increases (i.e., additional labor hours, costs associated with the new loyalty program, and other test and learn initiatives to improve guest experience). We see potential for CBRL to continue recovering traffic share but remain cautious on topline flow through as higher reinvestment needs offset.

Lower F24E EPS reflects incremental ad spend, G&A

We expect CBRL's increased advertising to help offset industry traffic pressures and results in higher SSSG vs our prior model (our F24 Restaurant SSSG moves to 1.2% vs 0.4% prior). Our F24E moves to \$4.74 (vs \$4.80 prior) as higher restaurant expenses and G&A offset our increased traffic assumptions.

Maintain \$76 PO on rolled forward estimates. Reit. U/P

Relative to the S&P 500, CBRL's 0.8x P/E multiple is below its 10-year historical range (0.9x). We expect CBRL's valuation to remain compressed as ongoing investment needs pressure profitability. Applying a 0.7x relative P/E multiple (implies 13.9x absolute vs 14.0x prior, on lower market multiples) to our EPS rolled forward 1 quarter (3Q25-2Q26, \$5.49) we arrive at our \$76 PO. We reiterate our Underperform rating.

Estimates (Jul) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.10	5.47	4.74	5.28	5.76
GAAP EPS	5.68	4.45	3.47	4.49	4.97
EPS Change (YoY)	18.2%	-10.3%	-13.3%	11.4%	9.1%
Consensus EPS (Bloomberg)			4.77	5.27	5.56
DPS	4.94	5.21	5.42	5.64	5.86
Valuation (Jul)					
P/E	11.5x	12.8x	14.8x	13.3x	12.2x
Dividend Yield	7.1%	7.4%	7.7%	8.0%	8.4%
EV / EBITDA*	11.4x	13.1x	14.1x	12.6x	12.0x
Free Cash Flow Yield*	6.3%	7.3%	8.5%	6.5%	7.6%

* For full definitions of *IQmethod*SM measures, see page 5.

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Timestamp: 28 February 2024 05:00AM EST

28 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	3,482.9	3,515.4
2025E Rev (m)	3,517.2	3,547.6
2026E Rev (m)	3,603.4	3,634.1
2024E EPS	4.80	4.74
2025E EPS	5.35	5.28
2026E EPS	5.81	5.76

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Stock Data

Price	70.10 USD
Price Objective	76.00 USD
Date Established	21-Feb-2024
Investment Opinion	B-3-7
52-Week Range	62.69 USD - 121.17 USD
Mkt Val (mn) / Shares Out (mn)	1,686 USD / 24.0
Free Float	98.0%
Average Daily Value (mn)	39.44 USD
BofA Ticker / Exchange	CBRL / NAS
Bloomberg / Reuters	CBRL US / CBRL.OQ
ROE (2024E)	22.7%
Net Dbt to Eqty (Jul-2023A)	80.6%
ESGMeter™	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"](#).

SSSG – same-store sales growth, or comparable sales growth ('comps')
G&A: general and administrative
CDR: casual dining restaurant

iQprofileSM Cracker Barrel

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.4%	6.2%	5.2%	6.7%	7.1%
Return on Equity	24.1%	24.5%	22.7%	26.8%	30.2%
Operating Margin	4.7%	3.5%	2.8%	3.6%	3.7%
Free Cash Flow	107	123	144	110	128

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	2.1x	2.6x	1.9x	1.9x
Asset Replacement Ratio	0.9x	1.2x	1.2x	1.0x	1.0x
Tax Rate	8.0%	4.4%	2.0%	6.0%	6.0%
Net Debt-to-Equity Ratio	73.9%	80.6%	82.5%	90.0%	93.4%
Interest Cover	15.9x	7.1x	4.9x	6.2x	7.7x

Income Statement Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,268	3,443	3,515	3,548	3,634
% Change	15.8%	5.4%	2.1%	0.9%	2.4%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	257	224	209	233	244
% Change	-46.0%	-12.8%	-6.7%	11.7%	4.8%
Net Interest & Other Income	(10)	(17)	(20)	(20)	(18)
Net Income (Adjusted)	142	122	106	118	128
% Change	15.9%	-13.9%	-13.3%	11.5%	9.0%

Free Cash Flow Data (Jul)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	132	99	77	100	111
Depreciation & Amortization	104	104	110	106	109
Change in Working Capital	(117)	(55)	77	2	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	144	110	128
% Change	-53.9%	15.5%	16.3%	-23.4%	16.6%
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	57	92
Trade Receivables	32	30	31	31	32
Other Current Assets	240	227	225	225	230
Property, Plant & Equipment	970	972	992	996	997
Other Non-Current Assets	1,008	964	964	964	964
Total Assets	2,295	2,218	2,248	2,274	2,315
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	502	489	565	567	579
Long-Term Debt	423	415	405	445	485
Other Non-Current Liabilities	858	830	830	830	830
Total Liabilities	1,783	1,734	1,800	1,843	1,894
Total Equity	511	484	448	431	420
Total Equity & Liabilities	2,295	2,218	2,248	2,274	2,315

* For full definitions of iQmethodSM measures, see page 5.

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

562,593

Exhibit 1: We forecast F24 EPS of \$4.74 and F25 EPS of \$5.28

Cracker Barrel Income Statement, F23-F25E

(\$ millions; FYE July)	2023	1Q24	2Q24	3Q24E	4Q24E	2024E	1Q25E	2Q25E	3Q25E	4Q25E	2025E
CB Restaurant Sales	2,678.7	644.9	714.3	680.8	738.7	2,778.8	658.2	730.4	696.1	701.5	2,786.2
CB Retail Sales	701.6	163.0	204.5	145.6	151.4	664.6	165.5	207.8	148.9	154.9	677.1
Maple Street Biscuit	62.6	15.9	16.6	19.8	19.8	72.0	18.8	19.5	23.1	22.9	84.3
Total Company Sales	3,442.8	823.8	935.4	846.3	909.9	3,515.4	842.6	957.6	868.1	879.3	3,547.6
Yr/Yr Growth	5.4%	-1.9%	0.2%	1.6%	8.7%	2.1%	2.3%	2.4%	2.6%	-3.4%	0.9%
Expenses:											
CB Restaurant COGS	754.1	169.6	201.6	183.2	196.9	751.3	169.8	202.5	183.9	183.5	739.6
CB Retail COGS	358.1	82.1	108.9	73.2	73.8	338.0	83.3	110.6	74.8	75.5	344.3
Maple Street Biscuit COGS		3.9	4.3	5.1	5.1		4.6	5.1	6.0	6.0	
COGS	1,127.6	255.6	314.9	261.6	275.8	1,107.8	257.8	318.2	264.7	265.0	1,105.7
Gross Profit	2,315.2	568.3	620.6	584.7	634.1	2,407.6	584.8	639.3	603.4	614.3	2,441.9
Labor & Related	1,208.7	304.4	323.2	309.8	333.8	1,271.3	313.6	332.1	317.9	315.5	1,279.0
Other Store Operating	797.8	203.7	214.1	208.3	215.7	841.8	207.8	218.3	212.5	203.9	842.4
Impairment and Store Closing	14.0	-	-	-	-	-	-	-	-	-	-
G & A	174.1	48.7	52.5	49.1	45.1	195.5	49.0	52.8	49.3	42.6	193.7
Gain (loss) in unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-	-
Gain on sale-leaseback	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	2,195	557	590	567	595	2,309	570	603	580	562	2,315
Operating Income	120.6	11.4	30.8	17.5	39.4	99.1	14.5	36.1	23.7	52.3	126.7
Adj. Operating Income	150.4	19.0	35.9	28.0	49.9	132.8	17.7	39.3	26.9	55.5	139.4
Adj. EBITDA	\$229.4	\$39.5	\$54.1	\$46.5	\$70.5	\$210.6	\$42.2	\$67.3	\$52.2	\$81.1	\$242.8
Interest Expense	17.0	4.9	5.1	5.1	5.1	20.1	5.1	5.1	5.1	5.1	20.3
Interest & Other Expense (Income)	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	103.6	6.5	25.7	12.4	34.3	78.9	9.5	31.1	18.6	47.2	106.4
Taxes	4.6	1.0	(0.8)	0.4	1.0	1.6	0.6	1.9	1.1	2.8	6.4
Tax Rate	4.4%	15.7%	-3.3%	3.0%	3.0%	2.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Net Income, reported	99.1	5.5	26.5	12.1	33.3	77.4	8.9	29.2	17.5	44.4	100.0
EPS, reported	\$4.45	\$0.25	\$1.19	\$0.54	\$1.49	\$3.47	\$0.40	\$1.31	\$0.79	\$1.99	\$4.49
Net Income Margin											
Total Nonrecurring Items	22.8	5.8	4.0	9.3	9.3	28.3	4.4	4.4	4.4	4.4	17.7
Pro-Forma Net Income	121.9	11.3	30.5	21.3	42.6	105.6	13.3	33.6	22.0	48.8	117.8
Adj. Diluted EPS	\$5.47	\$0.51	\$1.37	\$0.96	\$1.91	\$4.74	\$0.60	\$1.51	\$0.98	\$2.19	\$5.28

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Cracker Barrel (CBRL)

We apply a 0.7x relative P/E multiple to our forward estimates 12 months from now (3Q25-2Q26, \$5.49) to arrive at a \$76 PO, that translates into an absolute PE of 13.9x. 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.

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 Johns 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

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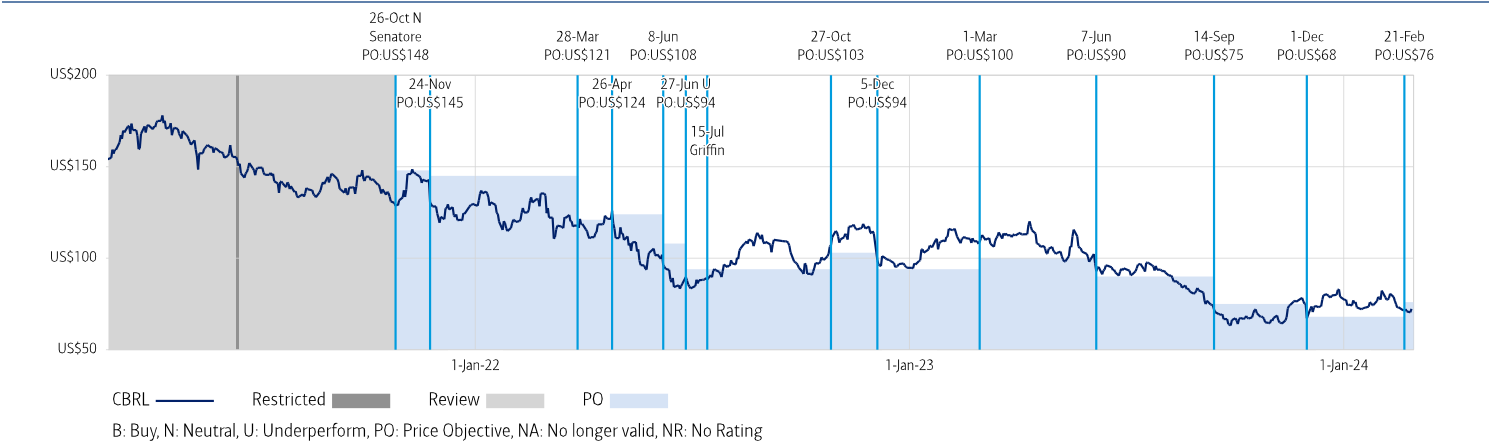
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Cracker Barrel (CBRL) Price Chart



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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.

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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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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