

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended April 26, 1996

Commission file number 0-7536

CRACKER BARREL OLD COUNTRY STORE, INC.

Incorporated in Tennessee

I.R.S. Employer Identification
No. 62-0812904

Hartmann Drive, P.O. Box 787
Lebanon, Tennessee 37087

615-444-5533

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_

60,567,606 Shares of Common Stock
Issued and Outstanding

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PART I

Item 1. Financial Statements

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED BALANCE SHEETS
(In thousands, except share data)

	April 26, 1996	July 28, 1995
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,673	\$ 48,124
Short-term investments	6,608	11,103
Receivables	3,284	3,193
Inventories	57,181	51,515
Prepaid expenses	318	912
Deferred income taxes	5,519	5,519

Total current assets	<u>96,583</u>	<u>120,366</u>
Property and equipment, net	548,135	479,518
Long-term investments	565	4,038
Other assets	<u>729</u>	<u>593</u>
Total assets	<u>\$646,012</u> =====	<u>\$604,515</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 23,757	\$ 29,751
Accrued expenses	45,911	42,904
Current portion of long-term debt	4,000	4,000
Current portion of capital lease obligations	111	111
Total current liabilities	<u>73,779</u>	<u>76,766</u>
Long-term debt	15,500	19,500
Capital lease obligations	1,515	1,598
Deferred income taxes	10,568	10,568
Stockholders' equity:		
Common stock - \$.50 par value, authorized 150,000,000 shares, issued and outstanding 60,510,857 at April 26, 1996 and 59,992,047 at July 28, 1995	30,255	29,996
Additional paid-in capital	199,054	195,421
Retained earnings	<u>315,341</u>	<u>270,666</u>
Total stockholders' equity	<u>544,650</u>	<u>496,083</u>
Total liabilities and stockholders' equity	<u>\$646,012</u> =====	<u>\$604,515</u> =====

See notes to condensed financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
 CONDENSED STATEMENTS OF INCOME
 (In thousands, except per share data)
 (Unaudited)

	Quarters Ended		Nine Months Ended	
	April 26, 1996	April 28, 1995	April 26, 1996	April 28, 1995
	—	—	—	—
Net sales:				
Restaurant	\$176,740	\$151,576	\$513,890	\$435,313
Gift shop	43,839	36,730	147,184	126,564
	—	—	—	—
Total sales	220,579	188,306	661,074	561,877
Cost of goods sold	74,013	60,831	228,249	190,370
	—	—	—	—
Gross profit on sales	146,566	127,475	432,825	371,507
Labor & related expenses	74,542	63,828	220,838	186,097
Other store operating expenses	32,956	29,080	100,383	84,744
General and administrative	13,279	11,156	39,523	34,089
	—	—	—	—
Total expenses	120,777	104,064	360,744	304,930
	—	—	—	—
Operating income	25,789	23,411	72,081	66,577
Interest expense	7	200	268	723
Interest income	429	728	1,703	2,475
	—	—	—	—
Pretax income	26,211	23,939	73,516	68,329
Provision for income taxes	9,960	8,882	27,936	25,350
	—	—	—	—
Net income	\$ 16,251	\$ 15,057	\$ 45,580	\$ 42,979
	=====	=====	=====	=====
Earnings per share	\$.27	\$.25	\$.75	\$.71
	=====	=====	=====	=====
Weighted average shares	60,858	60,550	60,703	60,543
	=====	=====	=====	=====
Dividends per share	\$.005	\$.005	\$.015	\$.015
	=====	=====	=====	=====

See notes to condensed financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended April 26, 1996	April 28, 1995
Cash flows from operating activities:		
Net income	\$45,580	\$42,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	23,816	20,611
Gain on disposition of property and equipment	(63)	(101)
Increase in inventories	(5,666)	(4,157)
Increase in other assets	(136)	(164)
Decrease in accounts payable	(5,994)	(2,993)
Increase(decrease) in other current assets and liabilities	3,510	(225)
Net cash provided by operating activities	<u>61,047</u>	<u>55,950</u>
Cash flows from investing activities:		
Purchase of short-term and long-term investments	(4,011)	(4,280)
Proceeds from maturities of short-term and long-term investments	11,979	25,150
Purchase of property and equipment	(93,261)	(85,594)
Proceeds from sale of property and equipment	891	897
Net cash used in investing activities	<u>(84,402)</u>	<u>(63,827)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,892	685
Principal payments under long-term debt and capital lease obligations	(4,083)	(3,570)
Dividends on common stock	(905)	(899)
Net cash used in financing activities	<u>(1,096)</u>	<u>(3,784)</u>
Net decrease in cash and cash equivalents	(24,451)	(11,661)
Cash and cash equivalents, beginning of period	48,124	47,306
Cash and cash equivalents, end of period	<u>\$23,673</u> =====	<u>\$35,645</u> =====
Supplemental disclosures of cash flow information:		
Cash paid during the nine months for:		
Interest	\$ 1,147	\$ 1,381
Income taxes	28,185	29,316

See notes to condensed financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Condensed Financial Statements

The condensed balance sheet as of April 26, 1996 and the related condensed statements of income and of cash flows for the quarters and nine-month periods ended April 26, 1996 and April 28, 1995, have been prepared by the Company, without audit; in the opinion of management, all adjustments for a fair presentation of such condensed financial statements have been made.

These condensed financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's annual report for the year ended July 28, 1995.

Deloitte & Touche LLP, the Company's independent accountants, have performed a limited review of the financial information included herein. Their report on such review accompanies this filing.

2. Income Taxes

The provision for income taxes for the quarter and nine-month period ended April 26, 1996 has been computed based on management's estimate of the tax rate for the entire fiscal year of 38.0%. The variation between the statutory tax rate and the effective tax rate is due primarily to employer tax credits for FICA taxes paid on tip income. The Company's effective tax rate for the quarter and nine-month period ended April 28, 1995 was 37.1% and for the entire fiscal year of 1995 was 37.3%.

3. Seasonality

The sales and profits of the Company are affected significantly by seasonal travel and vacation patterns because of its interstate highway locations. Historically, the Company's greatest sales and profits have occurred during the period of June through August. Early December through the last part of February, excluding the Christmas holidays, has historically been the period of lowest sales and profits. Therefore, the results of operations for the quarter and nine-month period ended April 26, 1996 cannot be considered indicative of the operating results for the full fiscal year.

4. Reclassifications

Certain reclassifications have been made in the quarter and nine-month period ended April 28, 1995 condensed financial statements to conform to the classifications used at fiscal year end 1995.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition (In thousands)

Results of Operations

The following table highlights operating results for the quarter and nine months ended April 26, 1996 as compared to the same periods a year ago:

	Quarters Ended		Nine Months Ended	
	April 26, 1996	April 28, 1995	April 26, 1996	April 28, 1995
Net sales:				
Restaurant	80.1%	80.5%	77.7%	77.5%
Gift shop	19.9	19.5	22.3	22.5
	<hr/>	<hr/>	<hr/>	<hr/>
Total sales	100.0	100.0	100.0	100.0
Cost of goods sold	33.6	32.3	34.5	33.9
	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit on sales	66.4	67.7	65.5	66.1
Labor & related expenses	33.8	33.9	33.4	33.1
Other store operating expenses	14.9	15.5	15.2	15.1
General and administrative	6.0	5.9	6.0	6.1
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	54.7	55.3	54.6	54.3
Operating income	11.7	12.4	10.9	11.8
Interest expense	0.0	0.1	0.0	0.1
Interest income	0.2	0.4	0.2	0.4
	<hr/>	<hr/>	<hr/>	<hr/>
Pretax income	11.9	12.7	11.1	12.1
Provision for income taxes	4.5	4.7	4.2	4.5
	<hr/>	<hr/>	<hr/>	<hr/>
Net income	7.4%	8.0%	6.9%	7.6%
	=====	=====	=====	=====

Same Store Sales Analysis
181 Store Average

Restaurant	\$739.9	\$728.9	\$2,226.3	\$2,189.2
Gift shop	183.0	176.4	634.5	637.1
	<hr/>	<hr/>	<hr/>	<hr/>
Restaurant & gift shop	\$922.9	\$905.3	\$2,860.8	\$2,826.3
	=====	=====	=====	=====

Sales

Net sales for the third quarter of fiscal 1996 increased 17% compared to last year's third quarter. Same store restaurant sales increased 1.5% and same store gift shop sales increased 3.7%. Total same store sales (restaurant and gift shop) increased 1.9%. Sales from new stores opened in fiscal 1995 and fiscal 1996 represented the remainder of the increase in net sales for the third quarter. Net sales for the nine months ended April 26, 1996, increased 18% compared to the nine-month period ended April 28, 1995. Same store restaurant sales increased 1.7% and same store gift shop sales decreased .4%. Total same store sales (restaurant and gift shop) increased 1.2%. Sales from new stores opened in fiscal 1995 and fiscal 1996, partially offset by the closing of one store in Memphis, TN during the second quarter of fiscal 1996, represented the remainder of the increase in net sales for the nine months. Sales were negatively impacted from December fiscal 1996 through the early part of the third quarter by extreme winter weather conditions.

Cost of Goods Sold

Cost of goods sold as a percentage of net sales for the third quarter of fiscal 1996 was 33.6% compared to 32.3% in the third quarter of last year. The primary reasons for the increase in the third quarter were a new menu which was implemented in May 1995 and operating inefficiencies in the restaurants due to the extreme winter weather conditions in the early part of the quarter this year. For the nine months ended April 26, 1996, cost of goods sold as a percentage of net sales was 34.5% compared to 33.9% for the same period a year ago. Cost of goods sold as a percentage of sales increased from the same period last year primarily due to a new menu which was implemented in May 1995 and to operating inefficiencies in the restaurants due to the extreme winter weather conditions as compared to the same period last year.

Labor and Related Expenses

Labor and related expenses include all direct and indirect labor and related costs incurred in store operations. Labor and related expenses as a percentage of net sales decreased to 33.8% in the third quarter this year from 33.9% in the third quarter of last year primarily due to increased productivity in the stores. For the nine months ended April 26, 1996, labor and related expenses as a percentage of net sales increased to 33.4% compared to 33.1% for the same period last year primarily due to the continuing labor cost pressures as the costs to hire and retain employees continued to increase, unemployment rates remained low, and competition remained high in the industry.

Other Store Operating Expenses

Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities and depreciation and amortization. Other store operating expenses as a percentage of net sales were 14.9% this year versus 15.5% during the same quarter last year. The primary reason for the decrease in other store operating expenses as a percentage of net sales was a decrease in general liability expenses because of better claims experience versus the prior year. For the nine months ended April 26, 1996, other store operating expenses as a percentage of net sales were 15.2% compared to 15.1%

for the same period last year. The primary reasons for the increase in other store operating expenses as a percent of net sales were a \$500 charge for the closure of one store in Memphis, Tennessee during the second quarter and the continued expenses of marketing initiatives such as television advertising, the "Cracker Barrel Neighborhood" frequency program and a revised menu. These increases were partially offset by a decrease in general liability expenses because of better claims experience versus last year.

General and Administrative Expenses

General and administrative expenses as a percentage of net sales increased to 6.0% during the third quarter of this year from 5.9% during the third quarter of last year. The primary reasons for the increase were additions to the complement in the information services and marketing departments to support the continued growth of the business. For the nine months ended April 26, 1996, general and administrative expenses were 6.0% of net sales as compared to 6.1% during the same period last year. The primary reasons for the decrease during the nine months ended April 26, 1996 were increased sales volume and lower management turnover at the store level which reduced management training costs.

Interest Expense

Interest expense decreased to \$7 and \$268 for the quarter and nine-month periods ended April 26, 1996 from \$200 and \$723, respectively, for the same periods a year ago. The decrease was primarily due to lower average debt outstanding during the quarter and nine-month periods ended April 16, 1996 and an increase in capitalized interest related to the increase in new stores opened from 9 and 29 for the quarter and nine-month periods ended April 28, 1995, respectively, to 13 and 33 for the same periods this year.

Interest Income

Interest income decreased to \$429 and \$1,703 for the quarter and nine-month periods ended April 26, 1996 from \$728 and \$2,475, respectively, for the same periods a year ago. The primary reason for the decrease in interest income was lower average funds available for investment.

Liquidity and Capital Resources

The Company's operating activities provided net cash of \$61,047 for the nine months ended April 26, 1996. Net income adjusted by depreciation and amortization provided most of the cash. Increases in inventories and decreases in accounts payable were partially offset by increases in other current assets and liabilities.

Capital expenditures were \$93,261 for the first nine months of fiscal 1996. Land purchases and the construction of new stores accounted for substantially all of these expenditures, except for approximately \$3,500 for the expansion of the gift shop distribution center. Capitalized interest was \$528 and \$1,507 for the quarter and nine months ended April 26, 1996, respectively, as compared to \$444 and \$1,432 for the same periods a year ago.

The Company's internally generated cash, short-term and long-term investments were sufficient to finance all of its growth in the first nine months of fiscal 1996.

The Company estimates that its capital expenditures for fiscal 1996 will be approximately \$140,000, substantially all of which will be land purchases and the construction of new stores, except for \$8,000 relating to the expansion of the gift shop distribution center to meet the increased demand from new stores. Management believes that cash, short-term and long-term investments at April 26, 1996, along with cash generated from the Company's operating activities, will be sufficient to finance its continued expansion in fiscal 1996 and its continued expansion plans through most of fiscal 1997. Presently, the Company has an unused revolving credit line of \$15,000.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Cracker Barrel Old Country Store, Inc.
Lebanon, Tennessee

We have reviewed the accompanying condensed balance sheet of Cracker Barrel Old Country Store, Inc. as of April 26, 1996, and the related condensed statements of income and cash flows for the quarters and nine-month periods ended April 26, 1996 and April 28, 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Cracker Barrel Old Country Store, Inc. as of July 28, 1995, and the related statements of income, stockholders' equity,

and cash flows for the year then ended (not presented herein); and in our report dated September 6, 1995, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of July 28, 1995 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Nashville, Tennessee
June 5, 1996

PART II

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

A. The annual meeting of shareholders was held November 28, 1995.

B. Election of Directors: Previously reported.

C. Other Matters: Previously reported.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Letter regarding unaudited financial information.

June 5, 1996

Cracker Barrel Old Country Store, Inc.
Hartmann Drive
Lebanon, Tennessee 37088-0787

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Cracker Barrel Old Country Store, Inc. for the quarters and nine-month periods ended April 26, 1996 and April 28, 1995, as indicated in our report dated June 5, 1996; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended April 26, 1996, is incorporated by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567, 33-45482 and 333-01465 on Forms S-8 and Registration Statement No. 33-59582 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP

Nashville, Tennessee

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENT OF CRACKER BARREL FOR THE 9 MONTHS ENDED APRIL 26, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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9-MOS		
	AUG-2-1996	
	JUL-29-1995	
	APR-26-1996	
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		6,608
		3,284
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		57,181
	96,583	
		668,955
	120,820	
	646,012	
	73,779	
		15,500
	0	
		0
		30,255
		514,395
646,012		
		661,074
	661,074	
		228,249
	321,221	
	39,523	
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	73,516	
		27,936
	45,580	
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		45,580
		.75
		.75