

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended October 27, 2023

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 001-25225

Cracker Barrel Old Country Store, Inc.

(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of incorporation or organization)

62-0812904
(I.R.S. Employer Identification Number)

305 Hartmann Drive, Lebanon, Tennessee
(Address of principal executive offices)

37087-4779
(Zip code)

Registrant's telephone number, including area code: (615) 444-5533

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (Par Value \$0.01)	CBRL	The Nasdaq Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock (Par Value \$0.01)		(Nasdaq Global Select Market)

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

22,185,112 Shares of Common Stock
Outstanding as of November 22, 2023

INDEX

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Income</u>	4
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>ITEM 4. Controls and Procedures</u>	25
PART II. OTHER INFORMATION	
<u>ITEM 1A. Risk Factors</u>	26
<u>ITEM 5. Other Information</u>	26
<u>ITEM 6. Exhibits</u>	26
<u>SIGNATURES</u>	27

PART I – FINANCIAL INFORMATION
ITEM 1. Financial Statements (Unaudited)

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)
(Unaudited)

	October 27, 2023	July 28, 2023*
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 13,914	\$ 25,147
Accounts receivable	32,218	30,446
Inventories	207,269	189,364
Prepaid expenses and other current assets	34,288	37,330
Total current assets	<u>287,689</u>	<u>282,287</u>
Property and equipment	2,398,254	2,380,313
Less: Accumulated depreciation and amortization	<u>1,429,813</u>	<u>1,408,368</u>
Property and equipment – net	968,441	971,945
Operating lease right-of-use assets, net	891,371	889,306
Goodwill	4,690	4,690
Intangible assets	24,517	23,426
Other assets	42,923	46,440
Total assets	<u>\$ 2,219,631</u>	<u>\$ 2,218,094</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 143,294	\$ 165,484
Other current liabilities	318,604	323,482
Total current liabilities	<u>461,898</u>	<u>488,966</u>
Long-term debt	475,340	414,904
Long-term operating lease liabilities	696,871	702,413
Other long-term obligations	125,270	127,986
Commitments and Contingencies (Note 10)		
Shareholders' Equity:		
Preferred stock – 100,000,000 shares of \$0.01 par value authorized; 300,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued	—	—
Common stock – 400,000,000 shares of \$0.01 par value authorized; 22,185,112 shares issued and outstanding at October 27, 2023, and 22,153,625 shares issued and outstanding at July 28, 2023	222	221
Additional paid-in capital	4,006	3,886
Retained earnings	456,024	479,718
Total shareholders' equity	<u>460,252</u>	<u>483,825</u>
Total liabilities and shareholders' equity	<u>\$ 2,219,631</u>	<u>\$ 2,218,094</u>

See Notes to unaudited Condensed Consolidated Financial Statements.

* This Condensed Consolidated Balance Sheet has been derived from the audited Consolidated Balance Sheet as of July 28, 2023, as filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the fiscal year ended July 28, 2023.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share data)

(Unaudited)

	Quarter Ended	
	October 27, 2023	October 28, 2022
Total revenue	\$ 823,839	\$ 839,519
Cost of goods sold (exclusive of depreciation and rent)	255,559	281,540
Labor and other related expenses	304,447	291,708
Other store operating expenses	203,685	196,704
General and administrative expenses	48,735	45,948
Operating income	11,413	23,619
Interest expense, net	4,938	3,532
Income before income taxes	6,475	20,087
Provision for income taxes	1,019	2,958
Net income	<u>\$ 5,456</u>	<u>\$ 17,129</u>
Net income per share:		
Basic	<u>\$ 0.25</u>	<u>\$ 0.77</u>
Diluted	<u>\$ 0.25</u>	<u>\$ 0.77</u>
Weighted average shares:		
Basic	<u>22,165,852</u>	<u>22,193,774</u>
Diluted	<u>22,263,690</u>	<u>22,292,654</u>

See Notes to unaudited Condensed Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited and in thousands, except share data)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings	Shareholders'
			Capital		Equity
Balances at July 28, 2023	22,153,625	\$ 221	\$ 3,886	\$ 479,718	\$ 483,825
Comprehensive Income:					
Net income	—	—	—	5,456	5,456
Total comprehensive income	—	—	—	5,456	5,456
Cash dividends declared - \$1.30 per share	—	—	—	(29,150)	(29,150)
Share-based compensation	—	—	1,622	—	1,622
Issuance of share-based compensation awards, net of shares withheld for employee taxes	31,487	1	(1,502)	—	(1,501)
Balances at October 27, 2023	22,185,112	\$ 222	\$ 4,006	\$ 456,024	\$ 460,252

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings	Shareholders'
			Capital		Equity
Balances at July 29, 2022	22,281,443	\$ 223	\$ —	\$ 511,256	\$ 511,479
Comprehensive Income:					
Net income	—	—	—	17,129	17,129
Total comprehensive income	—	—	—	17,129	17,129
Cash dividends declared - \$1.30 per share	—	—	—	(28,689)	(28,689)
Share-based compensation	—	—	2,422	—	2,422
Issuance of share-based compensation awards, net of shares withheld for employee taxes	34,982	—	(2,380)	—	(2,380)
Purchases and retirement of common stock	(120,958)	(1)	(42)	(12,405)	(12,448)
Balances at October 28, 2022	22,195,467	\$ 222	\$ —	\$ 487,291	\$ 487,513

See Notes to unaudited Condensed Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	October 27, 2023	October 28, 2022
Cash flows from operating activities:		
Net income	\$ 5,456	\$ 17,129
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	26,669	24,791
Amortization of debt issuance costs	436	431
Loss on disposition of property and equipment	1,632	683
Share-based compensation	1,622	2,422
Noncash lease expense	15,180	15,013
Amortization of asset recognized from gain on sale and leaseback transactions	3,184	3,184
Changes in assets and liabilities:		
Inventories	(17,905)	(17,761)
Other current assets	1,358	(2,470)
Accounts payable	(22,190)	(34,391)
Other current liabilities	(4,832)	2,242
Other long-term assets and liabilities	(26,407)	(11,873)
Net cash used in operating activities	<u>(15,797)</u>	<u>(600)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(24,718)	(21,779)
Proceeds from insurance recoveries of property and equipment	81	153
Proceeds from sale of property and equipment	39	166
Net cash used in investing activities	<u>(24,598)</u>	<u>(21,460)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	156,000	60,000
Principal payments under long-term debt	(96,000)	—
Taxes withheld from issuance of share-based compensation awards	(1,501)	(2,380)
Purchases and retirement of common stock	—	(12,448)
Dividends on common stock	(29,337)	(29,512)
Net cash provided by financing activities	<u>29,162</u>	<u>15,660</u>
Net decrease in cash and cash equivalents	(11,233)	(6,400)
Cash and cash equivalents, beginning of period	25,147	45,105
Cash and cash equivalents, end of period	<u>\$ 13,914</u>	<u>\$ 38,705</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	<u>\$ 3,458</u>	<u>\$ 1,378</u>
Income taxes	<u>\$ 42</u>	<u>\$ 2,002</u>
Supplemental schedule of non-cash investing and financing activities*:		
Capital expenditures accrued in accounts payable	<u>\$ 4,316</u>	<u>\$ 4,594</u>
Dividends declared but not yet paid	<u>\$ 30,046</u>	<u>\$ 29,633</u>

*See Note 8 for additional supplemental disclosures related to leases.

See Notes to unaudited Condensed Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except percentages, share and per share data)

(Unaudited)

1. Condensed Consolidated Financial Statements

Cracker Barrel Old Country Store, Inc., and its affiliates (collectively, in these Notes to Condensed Consolidated Financial Statements, the “Company”) are principally engaged in the operation and development in the United States of the Cracker Barrel Old Country Store® (“Cracker Barrel”) concept.

The accompanying condensed consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) without audit. In the opinion of management, all adjustments (consisting of normal and recurring items) necessary for a fair presentation of such condensed consolidated financial statements have been made. The results of operations for any interim period are not necessarily indicative of results for a full year.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended July 28, 2023 (the “2023 Form 10-K”). The accounting policies used in preparing these condensed consolidated financial statements are the same as described in the 2023 Form 10-K. References to a year in these Notes to Condensed Consolidated Financial Statements are to the Company’s fiscal year unless otherwise noted.

2. Fair Value Measurements

The Company’s assets measured at fair value on a recurring basis at October 27, 2023 were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents*	\$ 1	\$ —	\$ —	\$ 1
Deferred compensation plan assets**				23,581
Total assets at fair value				\$ 23,582

The Company’s assets measured at fair value on a recurring basis at July 28, 2023 were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents*	\$ 9,001	\$ —	\$ —	\$ 9,001
Deferred compensation plan assets**				27,129
Total assets at fair value				\$ 36,130

* Consists of money market fund investments.

** Represents plan assets invested in mutual funds established under a rabbi trust for the Company’s non-qualified savings plan and is included in the Condensed Consolidated Balance Sheets as other assets.

The Company's money market fund investments are measured at fair value using quoted market prices. The Company's deferred compensation plan assets are measured based on net asset value per share as a practical expedient to estimate fair value. The fair values of the Company's accounts receivable and accounts payable approximate their carrying amounts because of their short duration. The Company did not have any liabilities measured at fair value on a recurring basis at October 27, 2023 and July 28, 2023. The fair value of the Company's variable rate debt, based on quoted market prices, which are considered Level 1 inputs, approximates its carrying amount at October 27, 2023 and July 28, 2023, respectively.

The Company's financial instruments that are not remeasured at fair value include the 0.625% convertible Senior Notes (see Note 4). The Company estimates the fair value of the Notes through consideration of quoted market prices of similar instruments, classified as Level 2. The estimated fair value of the Notes was \$247,530 and \$259,311, respectively, as of October 27, 2023 and July 28, 2023.

3. **Inventories**

Inventories were comprised of the following at:

	<u>October 27, 2023</u>	<u>July 28, 2023</u>
Retail	\$ 158,352	\$ 145,175
Restaurant	29,274	24,427
Supplies	19,643	19,762
Total	<u>\$ 207,269</u>	<u>\$ 189,364</u>

4. **Debt**

On June 17, 2022, the Company entered into a five-year \$700,000 revolving credit facility (the "2022 Revolving Credit Facility") with substantially the same terms and financial covenants as our previous amended \$800,000 revolving credit facility, which it replaced. The 2022 Revolving Credit Facility also contains an option to increase the revolving credit facility by \$200,000. The Company's outstanding borrowings under the 2022 Revolving Credit Facility were \$180,000 and \$120,000 on October 27, 2023 and July 28, 2023, respectively.

As of October 27, 2023, the Company had \$32,466 of standby letters of credit, which reduce the Company's borrowing availability under the 2022 Revolving Credit Facility (see Note 10 for more information on the Company's standby letters of credit). As of October 27, 2023, the Company had \$487,534 in borrowing availability under the 2022 Revolving Credit Facility.

In accordance with the 2022 Revolving Credit Facility, outstanding borrowings bear interest, at the Company's election, either at (1) the Term Secured Overnight Financing Rate (SOFR) or (2) a base rate equal to the greater of (i) the prime rate, (ii) a rate that is 0.5% in excess of the Federal Funds Rate, and (iii) Term SOFR plus 1.0%, in each case, plus an applicable margin based on the Company's consolidated total leverage ratio. At October 27, 2023, the weighted average interest rate on the Company's outstanding borrowings was 6.93%.

The 2022 Revolving Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total senior secured leverage ratio and a minimum consolidated interest coverage ratio. At October 27, 2023, the Company was in compliance with all financial covenants under the 2022 Revolving Credit Facility.

The 2022 Revolving Credit Facility also imposes restrictions on the amount of dividends the Company is permitted to pay and the amount of shares the Company is permitted to repurchase. Under the 2022 Revolving Credit Facility, provided there is no default existing and the total of the Company's availability under the 2022 Revolving Credit Facility plus the Company's cash and cash equivalents on hand is at least \$100,000 (the "Cash Availability"), the Company may declare and pay cash dividends on shares of its common stock and repurchase shares of its common stock (1) in an unlimited amount if, at the time such dividend or repurchase is made, the Company's consolidated total senior secured leverage ratio is 2.75 to 1.00 or less and (2) in an aggregate amount not to exceed \$100,000 in any fiscal year if the Company's consolidated total leverage ratio is greater than 2.75 to 1.00 at the time the dividend or repurchase is made; notwithstanding (1) and (2), so long as immediately after giving effect to the payment of any such dividends, Cash Availability is at least \$100,000, the Company may declare and pay cash dividends on shares of its common stock in an aggregate amount not to exceed in any fiscal year the product of the aggregate amount of dividends declared in the fourth quarter of the immediately preceding fiscal year multiplied by four.

Convertible Senior Notes

On June 18, 2021, the Company completed a \$300,000 principal aggregate amount private offering of 0.625% convertible Senior Notes due in 2026 (the “Notes”). The Notes are governed by the terms of an indenture between the Company and U.S. Bank National Association as the Trustee. The Notes will mature on June 15, 2026, unless earlier converted, repurchased or redeemed. The Notes bear cash interest at an annual rate of 0.625%, payable semi-annually in arrears on June 15 and December 15 of each year.

The Notes are unsecured obligations and do not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. In an event of default, the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding will immediately become due and payable. However, notwithstanding the foregoing, the Company may elect, at its option, that the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture will consist exclusively of the right of the noteholders to receive special interest on the Notes for up to 180 calendar days during which such event of default has occurred and is continuing, at a specified rate for the first 90 days of 0.25% per annum, and thereafter at a rate of 0.50% per annum, on the principal amount of the Notes.

The initial conversion rate applicable to the Notes was 5.3153 shares of the Company’s common stock per \$1,000 principal amount of Notes, which represented an initial conversion price of approximately \$188.14 per share of the Company’s common stock, a premium of 25.0% over the last reported sale price of \$150.51 per share on June 15, 2021, the date on which the Notes were priced. The conversion rate is subject to customary adjustments upon the occurrence of certain events, including the payment of dividends to holders of the Company’s common stock. As of October 27, 2023, the conversion rate, as adjusted, was 5.9975 shares of the Company’s common stock per \$1,000 principal amount of Notes. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

Net proceeds from the Notes offering were \$291,125, after deducting the initial purchasers’ discounts and commissions and the Company’s offering fees and expenses.

The Notes are accounted for entirely as a liability, and the issuance costs of the Notes are accounted for wholly as debt issuance costs.

The following table includes the outstanding principal amount and carrying value of the Notes as of the dates indicated:

	October 27, 2023	July 28, 2023
Liability component		
Principal	\$ 300,000	\$ 300,000
Less: Debt issuance costs (1)	4,735	5,171
Net carrying amount	\$ 295,265	\$ 294,829

(1) Debt issuance costs are amortized to interest expense using the effective interest method over the expected life of the Notes.

The effective rate of the Notes over their expected life is 1.23%. The following is a summary of interest expense for the Notes for specified periods:

	Quarter Ended October 27, 2023	Quarter Ended October 28, 2022
Coupon interest	\$ 474	\$ 474
Amortization of issuance costs	436	431
Total interest expense	\$ 910	\$ 905

During any calendar quarter commencing after September 30, 2021, in which the closing price of the Company's common stock exceeds 130% of the applicable conversion price of the Notes on at least 20 of the last 30 consecutive trading days of the quarter, holders may in the quarter immediately following, convert all or a portion of their Notes. The holders of the Notes were not eligible to convert their Notes during the first quarter of 2024, 2023, 2022 or 2021. When a conversion notice is received, the Company has the option to pay or deliver the conversion amount entirely in cash or a combination of cash and shares of the Company's common stock. Accordingly, as of October 27, 2023, the Company could not be required to settle the Notes and, therefore, the Notes are classified as long-term debt.

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the Notes, the Company entered into convertible note hedge transactions (the "Convertible Note Hedge Transactions") with certain of the initial purchasers of the Notes and/or their respective affiliates and other financial institutions (in this capacity, the "Hedge Counterparties"). Concurrently with the Company's entry into the Convertible Note Hedge Transactions, the Company also entered into separate, warrant transactions with the Hedge Counterparties collectively relating to the same number of shares of the Company's common stock, which initially was approximately 1,600,000 shares, subject to customary anti-dilution adjustments, and for which the Company received proceeds that partially offset the cost of entering into the Convertible Note Hedge Transactions (the "Warrant Transactions").

The Convertible Note Hedge Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock that initially underlay the Notes and are expected generally to reduce the potential equity dilution, and/or offset any cash payments in excess of the principal amount due, as the case may be, upon conversion of the Notes. The Warrant Transactions could have a dilutive effect on the Company's common stock to the extent that the price of its common stock exceeds the strike price of the Warrant Transactions. The strike price was initially \$263.39 per share and is subject to certain adjustments under the terms of the Warrant Transactions. As of October 27, 2023, the strike price, as adjusted, of the Warrant Transactions was \$233.43 per share as a result of dividends declared since the Notes were issued.

The portion of the net proceeds to the Company from the offering of the Notes that was used to pay the premium on the Convertible Note Hedge Transactions, net of the proceeds to the Company from the Warrant Transactions, was approximately \$30,310. The net costs incurred in connection with the Convertible Note Hedge Transactions and Warrant Transactions were recorded as a reduction to additional paid-in capital in 2021.

Because these transactions meet certain accounting criteria, the Convertible Note Hedge Transactions and Warrant Transactions were recorded in shareholders' equity, not accounted for as derivatives and are not remeasured each reporting period.

5. Seasonality

Historically, the revenue and net income of the Company have been lower in the first and third quarters and higher in the second and fourth quarters. Management attributes these variations to the holiday shopping season and the summer vacation and travel season. The Company's retail sales, which are made substantially to the Company's restaurant customers, historically have been highest in the Company's second quarter, which includes the holiday shopping season. Historically, interstate tourist traffic and the propensity to dine out have been higher during the summer months, thereby contributing to higher profits in the Company's fourth quarter. The Company generally opens additional new locations throughout the year. Therefore, the results of operations for any interim period cannot be considered indicative of the operating results for an entire year.

6. Segment Information

Cracker Barrel stores represent a single, integrated operation with two related and substantially integrated product lines. The operating expenses of the restaurant and retail product lines of a Cracker Barrel store are shared and are indistinguishable in many respects. Accordingly, the Company currently manages its business on the basis of one reportable operating segment. All of the Company's operations are located within the United States.

7. Revenue Recognition

Revenue consists primarily of sales from restaurant and retail operations. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant guest, retail customer or other customer. The Company's policy is to present sales in the Condensed Consolidated Statements of Income on a net presentation basis after deducting sales tax.

Disaggregation of revenue

Total revenue was comprised of the following for the specified periods:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Revenue:		
Restaurant	\$ 660,793	\$ 662,234
Retail	163,046	177,285
Total revenue	<u>\$ 823,839</u>	<u>\$ 839,519</u>

Restaurant Revenue

The Company recognizes revenues from restaurant sales when payment is tendered at the point of sale, as the Company's performance obligation to provide food and beverages is satisfied.

Retail Revenue

The Company recognizes revenues from retail sales when payment is tendered at the point of sale, as the Company's performance obligation to provide merchandise is satisfied. Ecommerce sales, including shipping revenue, are recorded upon delivery to the customer. Additionally, estimated sales returns are calculated based on return history and sales levels.

Gift Card Breakage

Included in restaurant and retail revenue is gift card breakage. Customer purchases of gift cards, to be utilized at the Company's stores, are not recognized as sales until the card is redeemed and the customer purchases food and/or merchandise. Gift cards do not carry an expiration date; therefore, customers can redeem their gift cards indefinitely. A certain number of gift cards will not be fully redeemed. Management estimates unredeemed balances and recognizes gift card breakage revenue for these amounts in the Company's Condensed Consolidated Statements of Income over the expected redemption period. Gift card breakage is recognized when the likelihood of a gift card being redeemed by the customer is remote, and the Company determines that there is not a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction.

The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company recognizes gift card breakage by applying its estimate of the rate of gift card breakage over the period of estimated redemption. For the quarter ended October 27, 2023, gift card breakage was \$3,170. For the quarter ended October 28, 2022, gift card breakage was \$1,305.

Deferred revenue related to the Company's gift cards was \$81,809 and \$88,566, respectively, at October 27, 2023 and July 28, 2023. Revenue recognized in the Condensed Consolidated Statements of Income for the three months ended October 27, 2023 and October 28, 2022, respectively, for the redemption of gift cards which were included in the deferred revenue balance at the beginning of the fiscal year was \$14,847 and \$16,489.

Loyalty Program

During the first quarter of 2024, the Company launched its customer loyalty program, Cracker Barrel Rewards, which allows members to earn points ("pegs") for each qualifying purchase in store or online. Pegs earned are then converted to rewards upon reaching certain thresholds. These rewards may be redeemed on future restaurant or retail purchases in store or online.

The estimation of the standalone selling price of pegs and other rewards issued to customers involves several assumptions, primarily the estimated value of the product for which the reward is expected to be redeemed and the probability that the pegs or reward will expire. These inputs are subject to change over time due to factors such as increased costs or changes in customer behavior.

The Company defers a portion of the revenue related to the pegs earned at the time of the original transaction based on the estimated value of the item for which the reward is expected to be redeemed, net of estimated unredeemed pegs. Pegs expire after twelve months. Revenue is recognized for these performance obligations upon redemption of pegs or rewards earned by the customer. As of October 27, 2023, deferred revenue related to the loyalty program was \$419 and is included in other current liabilities on the Condensed Consolidated Balance Sheet.

8. Leases

The Company has ground leases for its leased stores and office space leases that are recorded as operating leases under various non-cancellable operating leases. The Company also leases advertising billboards, vehicle fleets, and certain equipment under various non-cancellable operating leases. Additionally, the Company completed sale-leaseback transactions in 2009, 2020 and 2021 (see section below entitled "Sale and Leaseback Transactions"); all the properties qualified for sale and leaseback and operating lease accounting classification. To determine whether a contract is or contains a lease, the Company determines at contract inception whether it contains the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract has the right to obtain substantially all of the economic benefit from use of the identified asset and the right to direct the use of the identified asset, the Company recognizes a right-of-use asset and lease liability.

The Company's leases all have varying terms and expire at various dates through 2058. Restaurant leases typically have base terms of ten years with four to five optional renewal periods of five years each. The Company uses a lease life that generally begins on the commencement date, including the rent holiday periods, and generally extends through certain renewal periods that can be exercised at the Company's option. During rent holiday periods, which include the pre-opening period during construction, the Company has possession of and access to the property, but is not obligated to, and normally does not, make rent payments. The Company has included lease renewal options in the lease term for calculations of the right-of-use asset and liability for which at the commencement of the lease it is reasonably certain that the Company will exercise those renewal options. Additionally, some of the leases have contingent rent provisions and others require adjustments for inflation or index. Contingent rent is determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability and corresponding rent expense when it is probable sales have been achieved in amounts in excess of the specified levels. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company has entered into agreements for real estate leases that are not recorded as right-of-use assets or lease liabilities as we have not yet taken possession. These leases are expected to commence in 2024 and 2025 with undiscounted future payments of \$5,968 and \$20,050, respectively.

The Company has elected not to separate lease and non-lease components. Additionally, the Company has elected to apply the short term lease exemption to all asset classes and the short term lease expense for the period reasonably reflects the short term lease commitments. As the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at the time of commencement or modification date in determining the present value of lease payments. For operating leases that commenced prior to the date of adoption of the new lease accounting guidance, the Company used the incremental borrowing rate as of the adoption date. Assumptions used in determining the Company's incremental borrowing rate include the Company's implied credit rating and an estimate of secured borrowing rates based on comparable market data.

The following table summarizes the components of lease cost for operating leases for the quarters ended October 27, 2023 and October 28, 2022:

	Quarter Ended October 27, 2023	Quarter Ended October 28, 2022
Operating lease cost	\$ 27,768	\$ 27,526
Short term lease cost	194	227
Variable lease cost	837	1,110
Total lease cost	<u>\$ 28,799</u>	<u>\$ 28,863</u>

The following table summarizes supplemental cash flow information and non-cash activity related to the Company's operating leases for the quarter ended October 27, 2023 as compared to the same period in the prior year:

	Quarter Ended October 27, 2023	Quarter Ended October 28, 2022
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 24,347	\$ 23,746
Noncash information:		
Right-of-use assets obtained in exchange for new operating lease liabilities	3,651	3,991
Lease modifications or reassessments increasing or (decreasing) right-of-use assets	16,917	(516)
Lease modifications removing right-of-use assets	(144)	(77)

The following table summarizes the weighted-average remaining lease term and the weighted-average discount rate for operating leases as of October 27, 2023 and October 28, 2022:

	October 27, 2023	October 28, 2022
Weighted-average remaining lease term	16.24 Years	17.31 Years
Weighted-average discount rate	5.13%	4.97%

The following table summarizes the maturities of undiscounted cash flows reconciled to the total operating lease liability as of October 27, 2023:

Year	Total
Remainder of 2024	\$ 71,335
2025	78,101
2026	71,410
2027	68,069
2028	67,235
Thereafter	780,610
Total future minimum lease payments	1,136,760
Less imputed remaining interest	(382,421)
Total present value of operating lease liabilities	\$ 754,339

Sale and Leaseback Transactions

In 2009, the Company completed sale-leaseback transactions involving 15 of its owned Cracker Barrel stores and its retail distribution center. Under the transactions, the land, buildings and improvements at the locations were sold and leased back for terms of 20 and 15 years, respectively. Equipment was not included. The leases include specified renewal options for up to 20 additional years.

In 2020, the Company entered into an agreement with the original lessor and a third party financier to obtain ownership of 64 of the 65 Cracker Barrel properties previously covered in the original sale and leaseback arrangement and simultaneously entered into a sale and leaseback transaction with the financier. The Company purchased the remaining property. In connection with this sale and leaseback transaction, the Company entered into lease agreements for each of the properties for initial terms of 20 years and renewal options up to 50 years.

In 2021, the Company completed a sale and leaseback transaction involving 62 of its owned Cracker Barrel stores. Under the transaction, the land, buildings and building improvements at the locations were sold and leased back for initial terms of 20 years and renewal options up to 50 years.

9. Net Income Per Share and Weighted Average Shares

Basic consolidated net income per share is computed by dividing consolidated net income available to common shareholders by the weighted average number of shares of common stock outstanding for the reporting period. Diluted consolidated net income per share reflects the potential dilution that could occur if securities, options or other contracts to issue shares of common stock were exercised or converted into shares of common stock and is based upon the weighted average number of shares of common stock and common equivalent shares outstanding during the reporting period. Common equivalent shares related to nonvested stock awards and units issued by the Company are calculated using the treasury stock method. The outstanding nonvested stock awards and units issued by the Company represent the only dilutive effects on diluted consolidated net income per share. The Company's convertible senior notes and related warrants are calculated using the net share settlement option under the if converted method. Because the principal amount of the convertible senior notes will be settled in cash with any excess conversion value settled in cash or shares of common stock, the convertible senior notes have been excluded from the computation of diluted earnings per share because the average market price of the Company's common stock during the reporting period did not exceed the conversion price of \$166.74 as of October 27, 2023. Warrants were excluded from the computation of diluted earnings per share since the warrants' strike price of \$233.43 was greater than the average market price of the Company's common stock during the period. See Note 4 for additional information regarding the Company's convertible senior notes.

The following table reconciles the components of diluted earnings per share computations:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Net income per share numerator	\$ 5,456	\$ 17,129
Net income per share denominator:		
Weighted average shares	22,165,852	22,193,774
Add potential dilution:		
Nonvested stock awards and units	97,838	98,880
Diluted weighted average shares	22,263,690	22,292,654

10. Commitments and Contingencies

The Company and its subsidiaries are party to various legal and regulatory proceedings and claims incidental to their business in the ordinary course. In the opinion of management, based upon information currently available, the ultimate liability with respect to these contingencies will not materially affect the Company's financial statements.

Related to its insurance coverage, the Company is contingently liable pursuant to standby letters of credit as credit guarantees to certain insurers. As of October 27, 2023, the Company had \$32,466 of standby letters of credit related to securing reserved claims under workers' compensation insurance and certain sale and leaseback transactions. All standby letters of credit are renewable annually and reduce the Company's borrowing availability under its 2022 Revolving Credit Facility (see Note 4).

The Company enters into certain indemnification agreements in favor of third parties in the ordinary course of business. The Company believes that the probability of incurring an actual liability under such indemnification agreements is sufficiently remote that no such liability has been recorded in the Condensed Consolidated Balance Sheet as of October 27, 2023.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cracker Barrel Old Country Store, Inc., and its subsidiaries (collectively, the “Company,” “our” or “we”) are principally engaged in the operation and development in the United States of the Cracker Barrel Old Country Store® (“Cracker Barrel”) concept. As of October 27, 2023, we operated 661 Cracker Barrel stores in 45 states and 60 Maple Street Biscuit Company (“MSBC”) locations in ten states.

All dollar amounts reported or discussed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) are shown in thousands, except per share amounts and certain statistical information (e.g., number of stores). References to years in MD&A are to our fiscal year unless otherwise noted.

MD&A provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. MD&A should be read in conjunction with the (i) condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q and (ii) audited consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended July 28, 2023 (the “2023 Form 10-K”). Except for specific historical information, many of the matters discussed in this report may express or imply projections of items such as revenues or expenditures, estimated capital expenditures, compliance with debt covenants, plans and objectives for future operations, store economics, inventory shrinkage, growth or initiatives, expected future economic performance or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results which we expect will or may occur in the future are forward-looking statements that, by their nature, involve risks, uncertainties and other factors which may cause our actual results and performance to differ materially from those expressed or implied by such statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “trends,” “assumptions,” “target,” “guidance,” “outlook,” “opportunity,” “future,” “plans,” “goals,” “objectives,” “expectations,” “near-term,” “long-term,” “projection,” “may,” “will,” “would,” “could,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “potential,” “should,” “projects,” “forecasts” or “continue” (or the negative or other derivatives of each of these terms) or similar terminology. We believe the assumptions underlying any forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. In addition to the risks of ordinary business operations, and those discussed or described in this report or in information incorporated by reference into this report, factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to risks and uncertainties associated with inflationary conditions with respect to the price of commodities, transportation, distribution and labor; disruptions to our restaurant or retail supply chain; the COVID-19 pandemic, including the duration of the COVID-19 pandemic and its ultimate impact on our business; our ability to identify, acquire and sell successful new lines of retail merchandise and new menu items at our restaurants; our ability to sustain or the effects of plans intended to improve operational or marketing execution and performance; the effects of increased competition at our locations on sales and on labor recruiting, cost, and retention; consumer behavior based on negative publicity or changes in consumer health or dietary trends or safety aspects of our food or products or those of the restaurant industry in general, including concerns about outbreaks of infectious disease, as well as the possible effects of such events on the price or availability of ingredients used in our restaurants; the effects of our indebtedness and associated restrictions on our financial and operating flexibility and ability to execute or pursue our operating plans and objectives; changes in interest rates, increases in borrowed capital or capital market conditions affecting our financing costs and ability to refinance our indebtedness, in whole or in part; our reliance on limited distribution facilities and certain significant vendors; information technology-related incidents, including data privacy and information security breaches, whether as a result of infrastructure failures, employee or vendor errors, or actions of third parties; changes in or implementation of additional governmental or regulatory rules, regulations and interpretations affecting tax, wage and hour matters, health and safety, animal welfare, pensions, insurance or other undeterminable areas; the effects of plans intended to promote or protect our brands and products; the actual results of pending, future or threatened litigation or governmental investigations and the costs and effects of negative publicity or our ability to manage the impact of social media associated with these activities; the impact of activist shareholders; our ability to enter successfully into new geographic markets that may be less familiar to us; changes in land, building materials and construction costs; the availability and cost of suitable sites for restaurant development and our ability to identify those sites; our ability to retain key personnel; the ability of and cost to us to recruit, train, and retain qualified hourly and management employees; uncertain performance of acquired businesses, strategic investments and other initiatives that we may pursue from time to time; the effects of business trends on the outlook for individual restaurant locations and the effect on the carrying value of those locations; general or regional economic weakness, business and societal conditions and the weather impact on sales and customer travel; discretionary income or personal expenditure activity of our customers; economic or psychological effects of natural disasters or other unforeseen events such as terrorist acts, social unrest or war and the military or government responses to such events; changes in foreign exchange rates affecting our future retail inventory purchases; workers’ compensation, group health and utility price changes; implementation of new or changes in interpretation of existing accounting principles generally accepted in the United States of America (“GAAP”), and those factors contained in Part I, Item 1A of the 2023 Form 10-K, as well as the factors described under “Critical Accounting Estimates” on pages 23-25 of this report or, from time to time, in our filings with the Securities and Exchange Commission (“SEC”), press releases and other communications.

Readers are cautioned not to place undue reliance on forward-looking statements made in this report because the statements speak only as of the report's date. Except as may be required by law, we have no obligation or intention to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any future public disclosures that we may make on related subjects in reports that we file with or furnish to the SEC or in our other public disclosures.

Overview

Management believes that Cracker Barrel's brand remains one of the strongest and most differentiated brands in the restaurant industry, and we plan to continue to leverage and build on that strength as a core competitive component of our business strategy. Our long-term strategy remains centered on driving sustainable sales growth, continued business model improvements, building profitable Cracker Barrel and MSBC stores, and driving shareholder returns.

During the first quarter of 2024, we continued to make progress in key areas of the business, such as store-level operational excellence, improving the guest experience, enhancing our menu and marketing, maintaining a strong value proposition, growing our off-premise business, launching our Cracker Barrel Rewards loyalty program, providing unique retail merchandise and thoughtfully expanding MSBC.

We believe there is significant uncertainty surrounding the macroeconomic outlook for the coming quarters, but we remain focused on delivering long-term growth and returns for shareholders.

Key Performance Indicators

Management uses a number of key performance measures to evaluate our operational and financial performance, including the following:

- **Comparable store restaurant sales increase/(decrease):** To calculate comparable store restaurant sales increase/(decrease), we determine total restaurant sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total comparable store restaurant sales for the current year period from total comparable store restaurant sales for the applicable historical period to calculate the absolute dollar change. To calculate comparable store restaurant sales increase/(decrease), which we express as a percentage, we divide the absolute dollar change by the comparable store restaurant sales for the historical period.
- **Comparable store average restaurant sales:** To calculate comparable store average restaurant sales, we determine total restaurant sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks, and divide by the number of comparable stores for the applicable period.
- **Comparable store retail sales increase/(decrease):** To calculate comparable store retail sales increase/(decrease), we determine total retail sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total comparable store retail sales for the current year period from total comparable store retail sales for the applicable historical period to calculate the absolute dollar change. To calculate comparable store retail sales increase/(decrease), which we express as a percentage, we divide the absolute dollar change by the comparable store retail sales for the historical period.
- **Comparable store retail average weekly sales:** To calculate comparable store average retail sales, we determine total retail sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks, and divide by the number of comparable stores for the applicable period.
- **Comparable restaurant guest traffic increase/(decrease):** To calculate comparable restaurant guest traffic increase/(decrease), we determine the number of entrees sold in our dine-in and off-premise business from stores open at least six full quarters at the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total entrees sold for the current year period from total entrees sold for the applicable historical period to calculate the absolute numerical change. To calculate comparable restaurant guest traffic increase/(decrease), which we express as a percentage, we divide the absolute numerical change by the total entrees sold for the historical period.

- **Average check increase per guest:** To calculate average check per guest, we determine comparable store restaurant sales, as described above, and divide by comparable guest traffic (as described above). We then subtract average check per guest for the current year period from average check per guest for the applicable historical period to calculate the absolute dollar change. The absolute dollar change is divided by the prior year average check number to calculate average check increase per guest, which we express as a percentage.

These performance indicators exclude the impact of new store openings and sales related to MSBC.

We use comparable store sales metrics as indicators of sales growth to evaluate how our established stores have performed over time. We use comparable restaurant guest traffic increase/(decrease) to evaluate how established stores have performed over time, excluding growth achieved through menu price and sales mix change. Finally, we use average check per guest to identify trends in guest preferences, as well as the effectiveness of menu changes. We believe these performance indicators are useful for investors by providing a consistent comparison of sales results and trends across comparable periods within our core, established store base, unaffected by results of store openings, closings, and other transitional changes.

Results of Operations

The following table highlights our operating results by percentage relationships to total revenue for the quarter ended October 27, 2023 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Total revenue	100.0%	100.0%
Cost of goods sold (exclusive of depreciation and rent)	31.0	33.5
Labor and other related expenses	37.0	34.8
Other store operating expenses	24.7	23.4
General and administrative expenses	5.9	5.5
Operating income	1.4	2.8
Interest expense, net	0.6	0.4
Income before income taxes	0.8	2.4
Provision for income taxes	0.1	0.4
Net income	0.7%	2.0%

The following table sets forth the change in the number of units in operation during the quarters ended October 27, 2023 and October 28, 2022 as well as the number of units at the end of the quarters ended October 27, 2023 and October 28, 2022:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Net change in units:		
Cracker Barrel	1	—
MSBC	1	3
Units in operation at end of the period:		
Cracker Barrel	661	664
MSBC	60	54
Total units at end of the period	721	718

Total Revenue

Total revenue for the first quarter of 2024 decreased 1.9% as compared to the same period in the prior year. The following table highlights the key components of revenue for the quarter ended October 27, 2023 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Revenue in dollars:		
Restaurant	\$ 660,793	\$ 662,234
Retail	163,046	177,285
Total revenue	<u>\$ 823,839</u>	<u>\$ 839,519</u>
Total revenue by percentage relationships:		
Restaurant	80.2%	78.9%
Retail	19.8%	21.1%
Average unit volumes ⁽¹⁾ :		
Restaurant	\$ 975.6	\$ 974.9
Retail	246.7	266.8
Total revenue	<u>\$ 1,222.3</u>	<u>\$ 1,241.7</u>
Comparable store sales increase (decrease) ⁽²⁾ :		
Restaurant	(0.5%)	7.1%
Retail	(8.1%)	4.3%
Restaurant and retail	(2.1%)	6.5%
Average check increase	6.6%	8.9%
Comparable restaurant guest traffic decrease ⁽²⁾ :	(7.1%)	(1.8%)

(1) Average unit volumes include sales of all stores except for MSBC.

(2) Comparable store sales and traffic consist of sales of stores open at least six full quarters at the beginning of the period and are measured on comparable calendar weeks. Comparable store sales and traffic exclude MSBC.

For the first quarter of 2024, our comparable store restaurant sales decreased as a result of a 7.1% guest traffic decrease partially offset by a 6.6% average check increase (including a 6.8% average menu price increase) as compared to the prior year period. Our retail sales are made substantially to our restaurant guests. For the first quarter of 2024, our comparable store retail sales decrease resulted primarily from the guest traffic decrease. The traffic decrease reflects lower consumer demand due to the impact of macroeconomic factors, including inflationary pressures, higher interest rates, higher consumer debt levels, lower savings rates and the risk of recession. During the first quarter of 2024, we experienced sequential monthly improvements in traffic which we believe was largely driven by actions taken to improve the effectiveness of our marketing and our emphasis on the guest experience.

Cost of Goods Sold (Exclusive of Depreciation and Rent)

The following table highlights the components of cost of goods sold (exclusive of depreciation and rent) in dollar amounts and as percentages of revenues for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Cost of Goods Sold in dollars:		
Restaurant	\$ 173,441	\$ 192,516
Retail	82,118	89,024
Total Cost of Goods Sold	<u>\$ 255,559</u>	<u>\$ 281,540</u>
Cost of Goods Sold by percentage of revenue:		
Restaurant	26.2%	29.1%
Retail	50.4%	50.2%

The decrease in restaurant cost of goods sold as a percentage of restaurant revenue in the first quarter of 2024 as compared to the same period in the prior year was primarily the result of commodity deflation of 2.3% as compared to significant commodity inflation of 16.7% the prior year quarter. We presently expect the rate of commodity inflation to be in the low-single digits in 2024.

The increase in retail cost of goods sold as a percentage of retail revenue in the first quarter of 2024 as compared to the same period in the prior year resulted primarily from higher freight expense partially offset by a decrease in the provision for obsolete inventory.

	First Quarter Increase (Decrease) as a Percentage of Total Retail Revenue
Freight expense	0.4%
Provision for obsolete inventory	(0.3%)

Labor and Related Expenses

Labor and related expenses include all direct and indirect labor and related costs incurred in store operations. The following table highlights labor and related expenses as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Labor and related expenses	37.0%	34.8%

This percentage change for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from the following:

	First Quarter Increase as a Percentage of Total Revenue
Store hourly labor	1.5%
Store management compensation	0.4%
Employee health care expense	0.2%

The increases in store hourly labor and store management compensation as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from higher staffing levels and the investment of additional labor hours to improve the guest experience.

We presently expect the rate of wage inflation to be in the mid-single digits in 2024.

The increase in employee health care expenses as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from higher claims.

Other Store Operating Expenses

Other store operating expenses include all store-level operating costs, the major components of which are occupancy costs, operating supplies, advertising, third-party delivery fees, credit and gift card fees, real and personal property taxes and general insurance. Occupancy costs include maintenance, utilities, depreciation and rent.

The following table highlights other store operating expenses as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Other store operating expenses	24.7%	23.4%

This percentage change for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from the following:

	First Quarter Increase as a Percentage of Total Revenue
Advertising expense	0.8%
Store occupancy costs	0.2%
General insurance expense	0.1%

The increase in advertising expense as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from higher media spending and costs associated with the launch of Cracker Barrel Rewards, our new customer loyalty program. Higher media spending also reflected a shift in the timing of holiday television advertising which occurred in the first quarter of 2024 as compared to the second quarter in the prior year.

The increase in store occupancy costs as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year was primarily due to deleveraging resulting from a decrease in total revenue in the first quarter of 2024 as compared to the same period in the prior year.

The increase in general insurance expense as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year was primarily driven by higher claims.

General and Administrative Expenses

The following table highlights general and administrative expenses as a percentage of total revenue for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
General and administrative expenses	5.9%	5.5%

The increase in general administrative expenses as a percentage of total revenue in the first quarter of 2024 as compared to the same period in the prior year resulted primarily from severance costs related to corporate restructuring.

Interest Expense, Net

The following table highlights interest expense in dollars for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Interest expense, net	\$ 4,938	\$ 3,532

The increase in interest expense for the first quarter of 2024 as compared to the same period in the prior year resulted primarily from higher average weighted interest rates under our 2022 Revolving Credit Facility (as defined below).

Provision for Income Taxes

The following table highlights the provision for income taxes as a percentage of income before income taxes (“effective tax rate”) for the first quarter of 2024 as compared to the same period in the prior year:

	Quarter Ended	
	October 27, 2023	October 28, 2022
Effective tax rate	15.7%	14.7%

The increase in the effective tax rate in the first quarter of 2024 as compared to the same period in the prior year was primarily due to the tax deficiency related to equity compensation and the disproportionate impact on the rate resulting from lower earnings in the current year period partially offset by the disproportionate benefit of employment credits in relation to income before taxes in the current year period.

We presently expect our effective tax rate for 2024 to be approximately 2% to 5%.

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from our operations and our borrowing capacity under our 2022 Revolving Credit Facility. Our internally generated cash, along with cash on hand at July 28, 2023 and borrowings under our revolving credit facility, were sufficient to finance all of our growth, dividend payments, working capital needs, interest payments under our revolving credit facility and other cash payment obligations in the first three months of 2024. We believe that cash on hand at October 27, 2023, along with cash expected to be generated from our operating activities and the borrowing capacity under our revolving credit facility, will be sufficient to finance our continuing operations, our continuing expansion plans and working capital needs over the next twelve months. We believe that cash expected to be generated from our operating activities and the borrowing capacity under our revolving credit facility will be sufficient to finance our continuing operations, dividend payments, capital expenditures, interest expense on long-term debt obligations, operating lease obligations, continuing expansion plans and working capital needs beyond the next twelve months. Our ability to draw on our revolving credit facility is subject to the satisfaction of provisions of the credit facility, as amended, and we believe we will be able to refinance our revolving credit facility and other debt instruments prior to their maturity.

Cash Used In Operations

Our operating activities used net cash of \$15,797 for the first three months of 2024 as compared to \$600 net cash used during the first three months of 2023. This change resulted primarily from lower net income and higher bonus payments made in the first quarter of 2024 as a result of the prior year's performance.

Borrowing Capacity, Debt Covenants and Notes

On June 17, 2022, we entered into a five-year \$700,000 revolving credit facility (the "2022 Revolving Credit Facility") with substantially the same terms and financial covenants as our previous amended \$800,000 revolving credit facility. The 2022 Revolving Credit Facility also contains an option for the Company to increase the revolving credit facility by \$200,000.

At October 27, 2023, we had \$180,000 of outstanding borrowings under the 2022 Revolving Credit Facility and \$32,466 of standby letters of credit related to securing reserved claims under our workers' compensation insurance and certain sale and leaseback transactions, which reduce our borrowing availability under the 2022 Revolving Credit Facility. At October 27, 2023, we had \$487,534 in borrowing availability under our 2022 Revolving Credit Facility. During the first three months of 2024, we borrowed \$156,000 and repaid \$96,000 under the 2022 Revolving Credit Facility. See Note 4 to our Condensed Consolidated Financial Statements for further information on our long-term debt.

Our 2022 Revolving Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total senior secured leverage ratio and a minimum consolidated interest coverage ratio. We were in compliance with the 2022 Revolving Credit Facility's financial covenants at October 27, 2023, and we expect to be in compliance with the 2022 Revolving Credit Facility's financial covenants for the remaining term of the facility.

On June 18, 2021, the Company entered into an issuance and sale of \$300,000 aggregate principal amount of 0.625% Convertible Senior Notes due 2026. The Notes are senior, unsecured obligations of the Company and bear cash interest at a rate of 0.625% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, which initiated on December 15, 2021. The Notes mature on June 15, 2026, unless earlier converted, repurchased or redeemed.

Capital Expenditures and Proceeds from Sale of Property and Equipment

Capital expenditures (purchase of property and equipment) net of proceeds from insurance recoveries were \$24,637 for the first three months of 2024 as compared to \$21,626 for the same period in the prior year. Our capital expenditures consisted primarily of capital investments for existing stores, new store locations and capital expenditures for strategic initiatives. The increase in capital expenditures in the first three months of 2024 as compared to the first three months of 2023 resulted primarily from increased capital expenditures for existing stores. We estimate that our capital expenditures during 2024 will be approximately \$120,000 to \$135,000. This estimate includes the acquisition of sites and construction costs of new Cracker Barrel and MSBC locations that have opened or that we expect to open during 2024, as well as for acquisition and construction costs for new Cracker Barrel and MSBC locations that we plan to open in 2025. We intend to fund our capital expenditures with cash generated by operations and borrowings under our 2022 Revolving Credit Facility, as necessary.

Dividends, Share Repurchases and Share-Based Compensation Awards

Our 2022 Revolving Credit Facility imposes restrictions on the amount of dividends we are permitted to pay and the amount of shares we are permitted to repurchase. Under the 2022 Revolving Credit Facility, provided there is no default existing and the total of our availability under the 2022 Revolving Credit Facility plus our cash and cash equivalents on hand is at least \$100,000 (the "Cash Availability"), we may declare and pay cash dividends on shares of our common stock and repurchase shares of our common stock (1) in an unlimited amount if at the time the dividend or the repurchase is made our consolidated total senior secured leverage ratio is 2.75 to 1.00 or less and (2) in an aggregate amount not to exceed \$100,000 in any fiscal year if our consolidated total leverage ratio is greater than 2.75 to 1.00 at the time the dividend or repurchase is made; notwithstanding (1) and (2), so long as immediately after giving effect to the payment of any such dividends, Cash Availability is at least \$100,000, we may declare and pay cash dividends on shares of our common stock in an aggregate amount not to exceed in any fiscal year the product of the aggregate amount of dividends declared in the fourth quarter of the immediately preceding fiscal year multiplied by four.

During the first three months of 2024, we paid a regular dividend of \$1.30 per share and declared a dividend of \$1.30 per share that was subsequently paid on November 7, 2023, to shareholders of record on October 20, 2023. In addition, in the second quarter of 2024, our Board of Directors approved a regular dividend payable on February 13, 2024 to shareholders of record on January 19, 2024 of \$1.30 per share.

On June 2, 2023, our Board of Directors renewed until June 2, 2024 our authorization to repurchase shares of the Company's outstanding common stock at management's discretion up to a total value of \$200,000. We did not repurchase any shares of our common stock in the first quarter of 2024.

During the first three months of 2024, we issued 31,487 shares of our common stock resulting from the vesting of share-based compensation awards. Related tax withholding payments on these share-based compensation awards resulted in a net use of cash of \$1,501.

Working Capital

In the restaurant industry, virtually all sales are either for third-party credit or debit card or cash. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while restaurant inventories purchased locally are generally financed from normal trade credit. Because of our retail gift shops, which have a lower product turnover than the restaurant business, we carry larger inventories than many other companies in the restaurant industry. Retail inventories purchased domestically are generally financed from normal trade credit, while imported retail inventories are generally purchased through wire transfers. These various trade terms are aided by the rapid turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears for hours worked except for bonuses that are paid either quarterly or annually in arrears. Many other operating expenses have normal trade terms and certain expenses, such as certain taxes and some benefits, are deferred for longer periods of time.

We had negative working capital of \$174,209 at October 27, 2023 as compared to negative working capital of \$206,679 at July 28, 2023. The change in working capital at October 27, 2023 as compared to July 28, 2023 primarily resulted from the timing of payments for accounts payable and higher retail inventories which reflect our normal seasonal build of retail inventory to support our expected holiday sales.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Material Commitments

There have been no material changes in our material commitments other than in the ordinary course of business since the end of 2023. Refer to the sub-section entitled “Material Commitments” under the section entitled “Liquidity and Capital Resources” presented in the MD&A of our 2023 Form 10-K for additional information regarding our material commitments.

Critical Accounting Estimates

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates and judgments on historical experience, current trends, outside advice from parties believed to be experts in such matters, and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results could differ from those assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1 to the Consolidated Financial Statements contained in the 2023 Form 10-K. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

Critical accounting estimates are those that:

- management believes are most important to the accurate portrayal of both our financial condition and operating results, and
- require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We consider the following accounting estimates to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements:

- Impairment of Long-Lived Assets
- Insurance Reserves
- Retail Inventory Valuation
- Lease Accounting

Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Impairment of Long-Lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying amount of the asset, the carrying value is written down, for an asset to be held and used, to the estimated fair value or, for an asset to be disposed of, to the fair value, net of estimated costs of disposal. Any loss resulting from impairment is recognized by a charge to income. Judgments and estimates that we make related to the expected useful lives of long-lived assets and future cash flows are affected by factors such as changes in economic conditions and changes in operating performance. The accuracy of such provisions can vary materially from original estimates and management regularly monitors the adequacy of the provisions until final disposition occurs.

We have not made any material changes in our methodology for assessing impairments during the first three months of 2024, and we do not believe that there is a reasonable likelihood that there will be a material change in the estimates or assumptions used by us in the future to assess impairment of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values of long-lived assets, we may be exposed to losses that could be material.

Insurance Reserves

We self-insure a significant portion of our expected workers' compensation and general liability insurance programs. We purchase insurance for individual workers' compensation claims that exceed \$750 or \$1,000 depending on the state in which the claim originated. We purchase insurance for individual general liability claims that exceed \$500. We record a reserve for workers' compensation and general liability for all unresolved claims and for an estimate of incurred but not reported ("IBNR") claims. These reserves and estimates of IBNR claims are based upon a full scope actuarial study which is performed annually at the end of our first quarter and is adjusted by the actuarially determined losses and actual claims payments for the fourth quarter. Additionally, we perform limited scope actuarial studies on a quarterly basis to verify and/or modify our reserves. The reserves and losses in the actuarial study represent a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, we record the losses in the lower half of that range and discount them to present value using a risk-free interest rate based on projected timing of payments. We also monitor actual claims development, including incurrence or settlement of individual large claims during the interim periods between actuarial studies as another means of estimating the adequacy of our reserves.

Our group health plans combine the use of self-insured and fully-insured programs. Benefits for any individual (employee or dependents) in the self-insured group health program are limited. We record a liability for the self-insured portion of our group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience. Additionally, we record a liability for unpaid prescription drug claims based on historical experience.

Our accounting policies regarding insurance reserves include certain actuarial assumptions and management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We have not made any material changes in the methodology used to establish our insurance reserves during the first three months of 2024 and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate the insurance reserves. However, changes in these actuarial assumptions, management judgments or claims experience in the future may produce materially different amounts of expense that would be reported under these insurance programs.

Retail Inventory Valuation

Cost of goods sold includes the cost of retail merchandise sold at our stores utilizing the retail inventory method ("RIM"). Under RIM, the valuation of our retail inventories is determined by applying a cost-to-retail ratio to the retail value of our inventories. Inherent in the RIM calculation are certain inputs, including initial markons, markups, markdowns and shrinkage, which may significantly impact the gross margin calculation as well as the ending inventory valuation.

Inventory valuation provisions are included for retail inventory obsolescence and retail inventory shrinkage. Retail inventory is reviewed on a quarterly basis for obsolescence and adjusted as appropriate based on assumptions made by management and judgment regarding inventory aging and future promotional activities. Retail inventory also includes an estimate of shrinkage that is adjusted upon physical inventory counts. Annual physical inventory counts are conducted based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a two-year average of the physical inventories' results on a store-by-store basis.

We have not made any material changes in the methodologies, estimates or assumptions related to our merchandise inventories during the first three months of 2024 and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions in the future. However, actual obsolescence or shrinkage recorded may produce materially different amounts than we have estimated.

Lease Accounting

We have ground leases for our leased stores and office space leases that are recorded as operating leases under various non-cancellable operating leases. Additionally, we lease our retail distribution center, advertising billboards, vehicle fleets, and certain equipment under various non-cancellable operating leases.

We evaluate our leases at contract inception to determine whether we have the right to control use of the identified asset for a period of time in exchange for consideration. If we determine that we have the right to obtain substantially all of the economic benefit from use of the identified asset and the right to direct the use of the identified asset, we recognize a right-of-use asset and lease liability. Also, at contract inception, we evaluate our leases to estimate their expected term which includes renewal options that we are reasonably assured that we will exercise, and the classification of the lease as either an operating lease or a finance lease. Additionally, as our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the time of commencement or modification date in determining the present value of lease payments. Assumptions used in determining our incremental borrowing rate include our implied credit rating and an estimate of secured borrowing rates based on comparable market data. We assess the impairment of the right-of-use asset whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Changes in these assumptions and management judgments may produce materially different amounts in the recognition of the right-of-use assets and lease liabilities. Additionally, any loss resulting from an impairment of the right-of-use assets is recognized by a charge to income, which could be material.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our quantitative and qualitative market risks since July 28, 2023. For a discussion of the Company's exposure to market risk, refer to the Company's market risk disclosures set forth in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" of the 2023 Form 10-K.

Interest Rate Risk. We have interest rate risk relative to our outstanding borrowings under our revolving credit facility. At October 27, 2023, our outstanding borrowings totaled \$180,000 under our 2022 Revolving Credit Facility (see Note 4 to the Condensed Consolidated Financial Statements). Loans under the 2022 Revolving Credit Facility bear interest, at our election, either at (1) the Term Secured Overnight Financing Rate (SOFR) or (2) a base rate equal to the greater of (i) the prime rate, (ii) a rate that is 0.5% in excess of the Federal Funds Rate, and (iii) Term SOFR plus 1.0%, in each case plus an applicable margin based on the Company's consolidated total leverage ratio. Our policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 4 and 8 to our Condensed Consolidated Financial Statements). In the fourth quarter of 2021, we issued and sold the 0.625% Convertible Senior Notes due in 2026 (the "Notes"). The impact of a one-percentage point increase or decrease in the \$180,000 of our outstanding borrowings under our revolving credit facility is approximately \$1,800 on a pre-tax annualized basis.

Credit Risk. In the fourth quarter of 2021, the Company issued the Notes and entered into the Convertible Note Hedge Transactions and the Warrant Transactions with the Hedge Counterparties. Subject to the changes in the market price of the Company's common stock price, the Company could be exposed to credit risk arising out of the net settlement of the Convertible Note Hedge Transactions and the Warrant Transactions in its favor. Based on the Company's review of the possible net settlements and the creditworthiness of the Hedge Counterparties and their affiliates, the Company believes it does not have a material exposure to credit risk as a result of these transactions at this time.

ITEM 4. Controls and Procedures

Our management, including our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that as of October 27, 2023, our disclosure controls and procedures were effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e).

There have been no changes (including corrective actions with regard to significant deficiencies and material weaknesses) during the quarter ended October 27, 2023 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in “Item 1A. Risk Factors” of our 2023 Form 10-K.

ITEM 5. Other Information

During the quarter ended October 27, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. Exhibits

INDEX TO EXHIBITS

Exhibit

3.1	Amended and Restated Charter of Cracker Barrel Old Country Store, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on April 10, 2012 (Commission File No. 001-25225))
3.2	Second Amended and Restated Bylaws of Cracker Barrel Old Country Store, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act on June 7, 2022)
10.1	Confidential Separation Agreement and Release, between Jennifer Tate and the Company, dated as of August 28, 2023 [†] (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

[†]Denotes management contract or compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRACKER BARREL OLD COUNTRY STORE, INC.

Date: November 30, 2023

By: /s/Craig A. Pommells
Craig A. Pommells, Senior Vice President, Chief Financial Officer

Date: November 30, 2023

By: /s/Brian T. Vaclavik
Brian T. Vaclavik, Vice President, Corporate Controller and
Principal Accounting Officer

**CONFIDENTIAL SEPARATION AGREEMENT
AND RELEASE (“AGREEMENT”)**

This Confidential Separation Agreement and Release is entered into by and between Jennifer Tate (“**Ms. Tate**”) and Cracker Barrel Old Country Store, Inc. (the “**Company**”), on the dates set forth by their respective signatures and with an effective date as specified in Section 6 below.

WHEREAS, Ms. Tate is a former employee of the Company and served as the Company’s Senior Vice President and Chief Marketing Officer;

WHEREAS, Ms. Tate separated from service with the Company on August 25, 2023 (“**Separation Date**”);

WHEREAS, Ms. Tate and the Company are parties to that certain Severance Agreement dated August 31, 2020 (“**Severance Agreement**”), which contains certain covenants that extend beyond the term of Ms. Tate’s employment with the Company;

WHEREAS, the Company is willing to provide compensation to Ms. Tate in consideration of the expansion of several of the foregoing covenants and her promise to abide thereby and in consideration of the releases granted by Ms. Tate hereunder;

NOW, THEREFORE, in consideration of their respective concessions, releases and promises made hereunder, and intending to be legally bound, the parties hereby agree as follows:

1. Separation Payment. In consideration of Ms. Tate’s performance of her obligations under this Agreement, the Company will pay Ms. Tate a separation payment (“**Separation Payment**”) in an amount equal to (i) the average closing price of the Company’s stock for the seven trading days beginning on September 13, 2023 and ending on September 21, 2023, multiplied by 3,000, plus (ii) \$34,200. The Company will pay the Separation Payment in three equal installments within five business days of each of October 1, November 1, and December 1, 2023, subject to any legally required withholdings.
2. Termination of Severance Agreement; No Right to Severance or Other Additional Compensation; Forfeiture of Equity Awards.
 - A. This Agreement terminates, supersedes and replaces the Severance Agreement in its entirety, and, consequently, the Severance Agreement is void and of no further effect.
 - B. Ms. Tate hereby acknowledges and agrees that the Separation Payment is the only amount that is or will be due or owed to her in connection with her employment with the Company. Without limiting the foregoing, Ms. Tate acknowledges that she has no right to any compensation under the Severance Agreement or under the Company’s FY 2023 Annual Bonus Plan. She further acknowledges that all equity awards granted to her under the Company’s 2010 or 2020 Omnibus Incentive Compensation Plans, other than awards which vested prior to the Separation Date, were properly withheld from vesting and have been forfeited and that she has no right to the same in whole or in part.

3. Additional Covenants. In consideration of the Company's promise to make the Separation Payment, Ms. Tate hereby agrees to the following terms and conditions:
- A. *Cooperation*. For six months after the Effective Date hereof, Ms. Tate shall make herself available at mutually agreeable times to answer questions of Company personnel and generally assist with the transfer of her former duties.
 - B. *Confidentiality*. Indefinitely hereafter, Ms. Tate shall strictly maintain the confidentiality of any and all Company marketing, financial, strategic planning, proprietary or other information which is known by her and which is not generally known to the public. Ms. Tate acknowledges that, as a result of her employment by the Company, Ms. Tate became familiar with and acquired knowledge of confidential information and certain trade secrets that are special, unique and extraordinarily valuable assets of the Company. Ms. Tate agrees that all such confidential information and trade secrets are the property of the Company and that all confidential information and trade secrets shall be considered to be proprietary to the Company and kept as the private records of the Company and will not be divulged to any firm, individual, or institution, or otherwise used to the detriment of the Company. None of the foregoing confidentiality obligations are intended to, nor shall they, prohibit Ms. Tate from communicating with any governmental agency.
 - C. *Return of Company Property*. Ms. Tate hereby represents and warrants that she has returned to the Company, or within five business days of the Effective Date hereof will return, all Company property in Ms. Tate's possession or control, including but not limited to keys, security cards and fobs, credit cards, furniture, equipment, computer hardware and software, telephone equipment, and all documents, manuals, plans, equipment, training materials, business papers, personnel files, computer files or copies of the same relating to Company business which were or are in Ms. Tate's possession or control.
 - D. *Non-Compete*. For six months after the Separation Date, Ms. Tate shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative capacity by, or in any manner engage in, any business within the United States that is engaging in the multi-unit restaurant business that offers full service dining ("Restricted Business"). The Company acknowledges and agrees that for purpose of this Agreement only, neither CKE Restaurants Holdings, Inc., nor any business currently operated thereby (collectively, "CKE") constitutes a Restricted Business. Ms. Tate acknowledges that during the course of Ms. Tate's employment with the Company, as a result of Ms. Tate's position within the Company, Ms. Tate has become familiar with the Company's trade secrets, personnel and other confidential information concerning the Company at a very high level and that Ms. Tate's services have been of special, unique, and extraordinary value to the Company. Nothing herein shall prohibit Ms. Tate from (i) being a passive owner of not more than 2% of the outstanding stock of any class of a corporation that is publicly traded, so long as Ms. Tate has no active participation in the business of such corporation; or (ii) becoming employed, engaged, associated or otherwise participating with a separately managed division or subsidiary of a competitive business that does not engage in the Restricted Business (provided that Ms. Tate's services are provided only to such division or subsidiary); or (iii) accepting employment with any federal or state government or governmental subdivision or agency.

- E. *Non-Solicit.* For two years after the Separation Date, Ms. Tate shall not directly or indirectly (including as an employee of CKE) do or facilitate any of the following: (i) encourage, solicit, or induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof; (ii) hire or pay compensation to any individual who was an employee of the Company as of the Separation Date, even if such individual resigns from the Company (a “**Company Employee**”); or (iii) encourage, solicit or induce any customer, supplier, licensee or other business relation of the Company to cease or materially reduce doing business with the Company, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company (including, without limitation, making any negative or disparaging statements or communications regarding the Company, its products or its personnel). Notwithstanding the foregoing, nothing in this Agreement shall prohibit Ms. Tate or CKE from employing an individual (i) with the consent of the Company or (ii) who responds to general solicitations in publications or on websites, or through the use of search firms, so long as such general solicitations or search firm activities are not targeted specifically at a Company Employee and so long as Ms. Tate has nothing whatsoever to do with identifying, qualifying, or recruiting the individual and does not participate in the recruiting or employment process in any manner. For illustrative purposes and for the avoidance of doubt, Ms. Tate may not, directly or indirectly through another person, (i) speak with or exchange texts or emails with any Company Employee regarding a potential job opportunity at CKE or outside of the Company, (ii) provide references or other information about a Company Employee to CKE or to any other another employer with which Ms. Tate is in any way affiliated, or (iii) participate or facilitate the interviewing or assessment of a Company Employee for a position or role with CKE or otherwise outside of the Company.
- F. *Other Communications and Non-Disparagement.* Beginning on August 21, 2023 and ending three years following the Separation Date, and subject to Paragraph I of this Section 3 below, (i) Ms. Tate will not make any materially derogatory, unflattering or disparaging comments, verbally or in writing, about the Company or any of its current or former directors or officers to any person, or about the Company’s business, products, services, strategies, investments, capabilities or business operations generally; and (ii) Ms. Tate shall not speak with any analysts or members of the investment community (including shareholders or potential shareholders) about the Company or its businesses or its executives or directors, but shall instead refer all such inquiries to the Company’s investor relations department. Notwithstanding the foregoing, nothing herein is intended to or should be construed to interfere with Ms. Tate’s (i) obligations to be truthful and accurate under oath, or (ii) Ms. Tate’s right or ability to respond to a breach by the Company of its obligations under this Agreement. Furthermore, nothing herein is intended to deter, interfere with, or discourage Ms. Tate from exercising any right to communicate truthfully and in good faith with governmental or regulatory agencies or authorities. Should any such agencies or authorities file a charge, action, complaint or lawsuit against Company based upon any of the claims released by Ms. Tate under the release attached hereto or otherwise released in connection with the termination of Ms. Tate’s employment, Ms. Tate agrees not to seek or accept any resulting relief or other pecuniary benefit whatsoever.

- G. *Reasonable Scope.* Ms. Tate agrees and acknowledges that the covenants set forth in this Section 3 are reasonable in scope and duration and necessary to protect the legitimate business interests of the Company and that the potential benefits conferred to Ms. Tate under this Agreement, whether or not such benefits are actually paid or provided to Ms. Tate, are sufficient consideration therefor. If any of the provisions of the covenants in this Section 3 is construed to be invalid or unenforceable in any respect, the same shall be modified as the court may direct in order to make such provision reasonable and enforceable, and such modification of the provision shall not affect the remainder of the provisions of the covenants, and such provision will be given the maximum possible effect and the modified Agreement will be fully enforceable.
- H. *Refund of Separation Payment.* Ms. Tate acknowledges that her performance of her obligations under paragraphs E and F of this Section 3 are of the essence of this Agreement, and that her breach of her obligations under such paragraphs would cause damages that would be difficult or impossible to calculate or prove with precision. Without prejudice to the Company's ability to pursue equitable relief in order to prevent or stop any breach of these obligations by Ms. Tate, if the Company reasonably believes that Ms. Tate has breached any such obligations, the Company may suspend the payment of any remaining installment of the Separation Payment unless and until a court or arbitrator rules otherwise. In the event a court or arbitrator rules that Ms. Tate in fact breached her obligations under paragraphs E or F of this Section 3, (i) Ms. Tate shall be obliged to refund the Separation Payment to the Company (less any unpaid installments thereof); and (ii) Ms. Tate will promptly reimburse the Company for all costs and reasonable attorneys' fees incurred by the Company in bringing the action.
- I. *Prior Critical Statements.* The non-disparagement obligations of Ms. Tate under Paragraph F of this Section 3 begin on August 21, 2023. The Company acknowledges the possibility that Ms. Tate may have made statements, verbally or in writing, prior to August 21, 2023, that could be deemed to be defamatory or critical of the Company or certain of its officers or directors or about the company's business, products, services, strategies, investments, capabilities or business operations generally (any of the foregoing, "**Prior Critical Statements.**"). Ms. Tate will have no liability, and the Company will have no right to withhold or receive any refund of any installment of the Separation Payment, to the extent that such liability or right is based on a prior Critical Statement.
4. References. In the event that the Company or any officer thereof is contacted by a prospective employer or recruiting firm regarding Ms. Tate, the Company will confirm only that Ms. Tate worked for the Company as its Senior Vice President and Chief Marketing Officer from August 31, 2020 until the Separation Date and left under good terms.

5. Confidentiality of Agreement. Subject to Section 8 below and except as may be required by law or court order or to enforce the terms of this Agreement, Ms. Tate will keep confidential and not disclose to any person or entity the substance and terms of this Agreement. Notwithstanding the foregoing, Ms. Tate may make such disclosure to (i) the legal department of CKE, and (ii) to the extent required on a need-to-know basis, to her attorneys, tax preparers or accountants for tax or legal purposes or to her immediate family, so long as she first advises all such individuals of the foregoing confidentiality obligations of this Agreement, and they agree to comply therewith. The Company may provide a copy of this Agreement to CKE and any other employer for which Ms. Tate eventually works.
6. Continued Cooperation. For five years following the Separation Date, Ms. Tate will cooperate as reasonably requested from time to time in the Company's defense of litigation instituted by any private party (but specifically excluding Government Agencies, as defined below). To that end, Ms. Tate will not voluntarily provide any information or testimony concerning the Company to a non-Government Agency absent a court order or subpoena compelling her to do so. In the event Ms. Tate receives such an order or subpoena, she further agrees to: (i) provide a copy of the order/subpoena to the Company's General Counsel, currently Richard Wolfson, within 24 hours of receipt; (ii) oppose any such subpoena and/or allow the Company to oppose such a subpoena on her behalf; and (iii) cooperate with the Company in preparing for her testimony if and when it is compelled or requested by the Company. Ms. Tate will testify truthfully in all matters, including on those occasions when she may be called upon by the Company to do so. All reasonable costs incurred by Ms. Tate in connection with her obligations under this Section 6 will be reimbursed by the Company upon a timely request for reimbursement.
7. Unconditional Release. In consideration of the Company's entrance into this Agreement, Ms. Tate, hereby knowingly and voluntarily forever releases the Company, its parent, subsidiary and all affiliated corporations, officers, managers, agents, attorney, assigns and representatives ("**Released Parties**") from any and all claims or causes of action that she may have, whether known or unknown, liquidated or unliquidated, fixed or contingent, direct or indirect, that arise from any event occurring prior to the execution of this Agreement, including but not limited to, events related to her employment relationship with the Company and the termination of that employment relationship. The foregoing release and waiver of claims includes, but is not limited to, (i) all claims arising under federal, state or local laws governing the employment relationship between Ms. Tate and the Company, including but not limited to those prohibiting employment discrimination; (ii) all claims growing out of any legal restrictions on the Company's right to terminate its employees, including any breach of contract, actual or implied, tort or retaliation claims; (iii) all claims of employment discrimination based on race, color, religion, creed, sex, and national origin, as provided under Title VII of the Civil Rights Act of 1964, as amended, and 42 U.S.C. § 1981; (iv) all claims of discrimination based on age, as provided under the Age Discrimination in Employment Act of 1967, as amended, and the Older Workers Benefit Protection Act, all claims under the Employee Retirement Income Security Act (ERISA); (v) all claims of employment discrimination under the Americans With Disabilities Act (ADA) and the Genetic Information Nondiscrimination Act; (vi) all claims under the Family and Medical Leave Act (FMLA); and (vii) all claims under state law concerning Ms. Tate's employment and/or payment of compensation or benefits including claims for unused vacation benefits. Notwithstanding the foregoing, Ms. Tate does not release or discharge any claim, demand, rights or causes of action against any Released Party arising under the ADEA after she signs this Agreement on the date hereof. Ms. Tate acknowledges and agrees that she has knowingly and voluntarily waived her right to review and consider this Agreement for at least twenty-one (21) calendar days before signing the Agreement (the "**Review Period**"), and that she has not been induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the Agreement prior to the expiration of the Review Period or by providing different terms for signing the Agreement prior to the Review Period's expiration. Ms. Tate also acknowledges that no material changes have been made to this Agreement since she first received the Agreement from the Company. Finally, Ms. Tate acknowledges that she had the opportunity and was advised to consult with an attorney of her own choice before signing this Agreement and that her signature appearing hereunder is knowing and voluntary. Ms. Tate acknowledges and agrees that she may revoke this Agreement within seven (7) calendar days after the date of the Agreement (the "**Revocation Period**") and that this Agreement will not become effective or enforceable until this Revocation Period has expired.

8. Communications with Governmental Agencies. Nothing in this Agreement will be interpreted as prohibiting Ms. Tate from communicating with or participating in any administrative proceeding before the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, the United States Department of Labor, or other federal, state or local law agency (“**Government Agencies**”). Nothing in this Agreement is intended to limit Ms. Tate’s ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Should any entity, agency, commission, or person file a charge, action, complaint, or lawsuit against the Company based upon any of the claims otherwise released by Ms. Tate herein, Ms. Tate agrees not to seek or accept any relief or pecuniary benefit whatsoever resulting from such charge, action, complaint, or lawsuit, other than an award for information provided to the SEC.
9. Opportunity for Counsel. Ms. Tate represents and warrants that she had the opportunity to be represented by counsel in connection with her consideration and execution of this Agreement, that she has entered into this Agreement voluntarily, and that she has not relied on any representation made to her other than as set forth in this Agreement in deciding whether to enter into this Agreement.
10. Governing Law; Arbitration. This Agreement will be interpreted under Tennessee law. Any and all disputes arising out of this Agreement will first be submitted to mediation by a private mediator mutually agreed upon by the parties, and, if necessary, thereafter to individual arbitration administered by the American Arbitration Association pursuant to its Employment rules and consistent with the ADR policy adopted by the Company. The Company’s ADR policy is incorporated as if set forth fully herein. Ms. Tate’s previously executed ADR Agreement remains in full force and effect and is not superseded by this Agreement.
11. Reasonableness of Agreement. Ms. Tate agrees and acknowledges that all of her covenants and obligations under this Agreement are reasonable in nature and in scope and necessary to protect the legitimate business interests of the Company.
12. Miscellaneous. This Agreement represents the complete and integrated agreement of the parties with respect to its subject matter and, except to the extent expressly stated otherwise herein, replaces and supersedes all prior negotiations, understandings, discussions, and agreements, whether oral or written, between them. This Agreement may not be amended, and the rights and obligations of the parties hereunder may not be assigned or delegated, except by the written agreement of the parties in each instance, and any waiver by a party of its rights hereunder must be in writing and will serve only as a waiver in such instance. If any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, then the remaining provisions of this Agreement shall be unaffected and shall remain in full force and effect. This Agreement may be signed in counterparts through the exchange of electronic signatures or signatures exchanged as PDF files, which will have the effect of original signatures for all purposes.

[The remainder of this page has been left blank intentionally. Signature page follows.]

/s/Jennifer Tate Date: 8/25/23
Jennifer Tate

CRACKER BARREL OLD COUNTRY STORE, INC.

By: /s/Jennifer Lankford Date: 8/28/23

Its: Deputy General Counsel

I, Julie Masino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cracker Barrel Old Country Store, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023

/s/Julie Masino

Julie Masino, President and Chief Executive Officer

I, Craig A. Pommells, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cracker Barrel Old Country Store, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 30, 2023

/s/Craig A. Pommells

Craig A. Pommells, Senior Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-Q for the fiscal quarter ended October 27, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julie Masino, President and Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: November 30, 2023

By: /s/Julie Masino
Julie Masino
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-Q for the fiscal quarter ended October 27, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig A. Pommells, Senior Vice President and Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: November 30, 2023

By: /s/Craig A. Pommells
Craig A. Pommells
Senior Vice President and Chief Financial Officer
