

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the Quarterly Period Ended January 26, 1996

Commission file number 0-7536

CRACKER BARREL OLD COUNTRY STORE, INC.

Incorporated in Tennessee I.R.S. Employer Identification  
No. 62-0812904

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

615-444-5533

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

Yes  No

60,431,557 Shares of Common Stock  
Issued and Outstanding

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

CRACKER BARREL OLD COUNTRY STORE, INC.  
CONDENSED BALANCE SHEETS

(In thousands, except share data)

	January 26, 1996 (Unaudited)	July 28, 1995 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,746	\$ 48,124
Short-term investments	13,391	11,103
Receivables	2,916	3,193

Inventories	49,328	51,515
Prepaid expenses	489	912
Deferred income taxes	5,519	5,519
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Total current assets	88,389	120,366
	<hr/>	<hr/>
Property and equipment, net	527,979	479,518
Long-term investments	1,007	4,038
Other assets	633	593
	<hr/>	<hr/>
Total assets	\$618,008	\$604,515
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 17,858	\$ 29,751
Accrued expenses	37,620	42,904
Current portion of long-term debt	5,790	4,000
Current portion of capital lease obligations	111	111
	<hr/>	<hr/>
Total current liabilities	61,379	76,766
	<hr/>	<hr/>
Long-term debt	17,290	19,500
Capital lease obligations	1,543	1,598
Deferred income taxes	10,568	10,568
	<hr/>	<hr/>
Stockholders' equity:		
Common stock - \$.50 par value, authorized 150,000,000 shares, issued and outstanding 60,310,772 at January 26, 1996 and 59,992,047 at July 28, 1995	30,155	29,996
Additional paid-in capital	197,681	195,421
Retained earnings	299,392	270,666
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Total stockholders' equity	527,228	496,083
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$618,008	\$604,515
	=====	=====

See notes to financial statements.

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

(In thousands, except share data)  
(Unaudited)

	Quarters Ended		Six Months Ended	
	January 26, 1996	January 27, 1995	January 26, 1996	January 27, 1995
	—	—	—	—
Net sales:				
Restaurant	\$162,593	\$138,317	\$337,150	\$283,738
Gift shop	56,891	50,306	103,345	89,833
Total net sales	<u>219,484</u>	<u>188,623</u>	<u>440,495</u>	<u>373,571</u>
Cost of goods sold	<u>80,629</u>	<u>68,149</u>	<u>154,236</u>	<u>129,539</u>
Gross profit on sales	138,855	120,474	286,259	244,032
Expenses:				
Labor & related expenses	72,347	61,669	146,296	122,270
Other store operating expenses	34,096	28,335	67,427	55,664
General and administrative	12,682	11,470	26,244	22,933
Total expenses	<u>119,125</u>	<u>101,474</u>	<u>239,967</u>	<u>200,867</u>
Operating income	19,730	19,000	46,292	43,165
Interest expense	82	277	261	522
Interest income	569	868	1,273	1,748
Pretax income	20,217	19,591	47,304	44,391
Provision for income taxes	7,682	7,268	17,976	16,469
Net income	<u>\$ 12,535</u>	<u>\$ 12,323</u>	<u>\$ 29,328</u>	<u>\$ 27,922</u>
Earnings per share	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.48</u>	<u>\$ 0.46</u>
Weighted average common shares and equivalents	<u>60,630,474</u>	<u>60,487,373</u>	<u>60,625,881</u>	<u>60,539,765</u>
Dividends per share	<u>\$ 0.005</u>	<u>\$ 0.005</u>	<u>\$ 0.010</u>	<u>\$ 0.010</u>

See notes to financial statements.

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

	Six Months Ended	
	January 26, 1996	January 27, 1995
Cash flows from operating activities:		
Net income	\$29,328	\$27,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	16,098	13,350
Gain on disposition of property and equipment	(144)	(91)
Decrease(increase) in inventories	2,187	(215)
Increase in other assets	(40)	(56)
Decrease in accounts payable	(11,893)	(3,828)
Decrease in other current assets and liabilities	(4,584)	(5,102)
Net cash provided by operating activities	30,952	31,980
Cash flows from investing activities:		
Purchase of investments	(1,937)	(3,280)
Proceeds from maturities of investments	2,680	17,207
Purchase of property and equipment	(61,672)	(59,111)
Proceeds from sale of property and equipment	837	845
Net cash used in investing activities	(60,092)	(44,339)
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,419	350
Principal payments under long-term debt and capital lease obligations	(4,055)	(3,547)
Dividends on common stock	(602)	(599)
Net cash used in financing activities	(2,238)	(3,796)
Net decrease in cash and cash equivalents	(31,378)	(16,155)
Cash and cash equivalents, beginning of year	48,124	47,306
Cash and cash equivalents, end of quarter	\$16,746	\$31,151
Supplemental disclosures of cash flow information:		
Cash paid during the six months for:		
Interest	\$ 1,139	\$ 1,373
Income taxes	23,915	23,434

Supplemental schedule of noncash investing and financing activities:

The Company purchased land during the quarter ended October 27, 1995 for \$2,700 in cash and \$3,580 in a mortgage agreement, of which \$1,790 is classified as current portion of long-term debt as of January 26, 1996.

See notes to financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Condensed Financial Statements

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The condensed balance sheet as of January 26, 1996 and the related condensed statements of income and cash flows for the quarters and six-month periods ended January 26, 1996 and January 27, 1995, have been prepared by the Company, without audit; in the opinion of management, all adjustments for a fair presentation of such condensed financial statements have been made.

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

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

2. Income Taxes

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The provision for income taxes for the quarter and six-month period ended January 26, 1996 has been computed based on management's estimate of the tax rate for the entire fiscal year of 38.0%. The variation between the statutory tax rate and the effective tax rate is due primarily to employer tax credits for FICA taxes paid on tip income. The Company's effective tax rate for the quarter and six-month period ended January 27, 1995 was 37.1% and for the entire fiscal year of 1995 was 37.3%.

3. Seasonality

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

4. Reclassifications

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Certain reclassifications have been made in the quarter and six-month period ended January 27, 1995 financial statements to conform to the classifications used at fiscal year end 1995.

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

RESULTS OF OPERATIONS

The following table highlights operating results for the quarter and six-month period ended January 26, 1996 as compared to the same periods a year ago:

	Quarters Ended		Six Months Ended	
	January 26, 1996	January 27, 1995	January 26, 1996	January 27, 1995
	—	—	—	—
Net sales:				
Restaurant	74.1%	73.3%	76.5%	76.0%
Gift shop	25.9	26.7	23.5	24.0
	—	—	—	—
Total net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	36.7	36.1	35.0	34.7
Gross profit	63.3	63.9	65.0	65.3
Expenses:				
Labor & related expenses	33.0	32.7	33.2	32.7
Other store operating expenses	15.5	15.0	15.3	14.9
General and administrative	5.8	6.1	6.0	6.1
Total expenses	54.3	53.8	54.5	53.8
Operating income	9.0	10.1	10.5	11.6
Interest expense	0.0	0.1	0.1	0.1
Interest income	0.3	0.5	0.3	0.5
Pretax income	9.2	10.4	10.7	11.9
Provision for income taxes	3.5	3.9	4.1	4.4
Net income	5.7%	6.5%	6.7%	7.5%

Same Store Sales Analysis  
181 Store Average

	Same Store Sales Analysis 181 Store Average			
	—	—	—	—
Restaurant	\$703.5	\$693.3	\$1,486.4	\$1,460.4
Gift shop	242.7	252.1	451.6	460.7
	—	—	—	—
Restaurant & gift shop	\$946.2	\$945.4	\$1,938.0	\$1,921.1
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## Sales

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Net sales for the second quarter of fiscal 1996 increased 16% over last year's second quarter. Same store restaurant sales increased 1.5%. Same store gift shop sales decreased 3.7%. Total same store sales (restaurant and gift shop) increased .1%. Net sales for the six months ended January 26, 1996, increased 18% over the six-month period ended January 27, 1995. Same store restaurant sales increased 1.8% and same store gift shop sales decreased 2.0%. Total same store sales (restaurant and gift shop) increased .9%. Sales from new stores accounted for the remainder of the increase. Sales during the quarter were negatively affected by extreme winter weather conditions.

## Cost of Goods Sold

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Cost of goods sold as a percentage of net sales was 36.7% this year compared to 36.1% in the second quarter of last year. For the six months ended January 26, 1996, cost of goods sold as a percentage of net sales was 35.0% compared to 34.7% for the same period a year ago. Cost of goods sold as a percentage of sales for the second quarter and six months increased from the same periods last year primarily due to a new menu which was implemented in May 1995, and also because of operating inefficiencies in the stores due to the extreme winter weather conditions.

## Labor and Related Expenses

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Labor and related expenses include all direct and indirect labor and related costs incurred in store operations. Labor expenses as a percentage of net sales were 33.0% for the second quarter of this year compared to 32.7% for the second quarter of last year. For the six months ended January 26, 1996, labor expenses as a percentage of net sales were 33.2% compared to 32.7% for the same period last year. Labor expenses as a percentage of net sales increased from the second quarter and six months of last year primarily due to the continuing labor pressures as the costs to hire and retain employees continued to increase, unemployment rates remained low, and competition remained high in the industry.

## Other Store Operating Expenses

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Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities and depreciation and amortization. Other store operating expenses as a percentage of net sales were 15.5% this year versus 15.0% during the same quarter last year. For the six months ended January 26, 1996, other store operating expenses as a percentage of net sales were 15.3% compared to 14.9% for the same period last year. The primary reason for the increase in other store operating expenses as a percentage of net sales for the quarter and six months was a \$500 charge for the closure of one store in Memphis, Tennessee. Advertising expenses as a percentage of net sales also accounted for part of the increase as a result of an increase in developmental market advertising in an effort to build name awareness. We have also taken on other initiatives in our overall advertising efforts to continue to build brand loyalty in our core and growth markets.

## General and Administrative Expenses

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General and administrative expenses as a percentage of net sales decreased to 5.8% during the second quarter of this year from 6.1% during the second quarter of last year. For the six months ended January 26, 1996, general and administrative expenses were 6.0% of net sales as compared to 6.1% during the same period last year. The primary reason for the decrease was increased volume.

## Interest Expense

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Interest expense decreased to \$82 and \$261 for the quarter and six-month periods ended January 26, 1996 from \$277 and \$522, respectively, for the same periods a year ago. The decrease was primarily due to lower average debt outstanding during the quarter and six-month periods ended January 26, 1996.

## Interest Income

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Interest income decreased to \$569 and \$1,273 for the quarter and six-month periods ended January 26, 1996 from \$868 and \$1,748, respectively, for the same periods a year ago. The primary reason for the decrease in interest income was lower average funds available for investment which was partially offset by higher interest rates in fiscal 1996.

## Liquidity and Capital Resources

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The Company's operating activities provided net cash of \$30,952 for the six months ended January 26, 1996. Net income adjusted by depreciation and amortization provided most of the cash. Decreases in accounts payable and other current assets and liabilities were partially offset by decreases in inventories.

Capital expenditures were \$61,672 for the first six months of fiscal 1996. Land purchases and cost of new stores accounted for substantially all of these expenditures, except for approximately \$1,923 for the expansion of the gift shop distribution center. Capitalized interest was \$527 and \$979 for the quarter and six months ended January 26, 1996, respectively, as compared to \$502 and \$988 for the same periods a year ago.

The Company's internally generated cash and investments were sufficient to finance all of its growth in the first six months of fiscal 1996.

The Company estimates that its capital expenditures for fiscal 1996 will be approximately \$150,000, substantially all of which will be land purchases and cost of new stores, except for \$8,000 relating to the expansion of the gift shop distribution center to meet the increased demand from new stores. Management believes that cash and investments at January 26, 1996, along with cash generated from the Company's operating activities, will be sufficient to finance its continued expansion in fiscal 1996 and its continued expansion plans through most of fiscal 1997. Presently, the Company has an unused revolving credit line of \$15,000.



## INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed balance sheet of Cracker Barrel Old Country Store, Inc. as of January 26, 1996, and the related condensed statements of income and cash flows for the quarters and six-month periods ended January 26, 1996 and January 27, 1995. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Cracker Barrel Old Country Store, Inc. as of July 28, 1995, and the related statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated September 6, 1995, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of July 28, 1995 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Deloitte & Touche LLP  
Nashville, Tennessee  
March 6, 1996

## PART II

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

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

B. Election of Directors: Previously reported.

C. Other Matters: Previously reported.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Letter regarding unaudited financial information.



March 6, 1996

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

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Cracker Barrel Old Country Store, Inc. for the quarters and six-month periods ended January 26, 1996 and January 27, 1995, as indicated in our report dated March 6, 1996; because we did not perform an audit, we expressed no opinion on that information.

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

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

Deloitte & Touche LLP  
Nashville, Tennessee



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENT OF CRACKER BARREL FOR THE 6 MONTHS ENDED JANUARY 26, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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6-MOS	AUG-2-1996	
	JUL-29-1995	
	JAN-26-1996	
		16,746
		13,391
		2,916
		0
		49,328
	88,389	641,169
		113,190
		618,008
61,379		
		17,290
0		0
		30,155
		497,073
618,008		
		440,495
	440,495	154,236
		213,723
		26,244
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		261
		47,304
		17,976
29,328		
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		29,328
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