

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended November 1, 1996

Commission file number 0-7536

CRACKER BARREL OLD COUNTRY STORE, INC.

Incorporated in Tennessee

I.R.S. Employer Identification
No. 62-0812904Hartmann Drive, P.O. Box 787
Lebanon, Tennessee 37087

615-444-5533

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

Yes X No_

60,780,640 Shares of Common Stock
Issued and Outstanding

Page 1 of 14

1

PART I

Item 1. Financial Statements

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

	November 1, 1996	August 2, 1996
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,543	\$ 28,971
Short-term investments	1,356	4,735
Receivables	2,586	2,803
Inventories	77,949	61,470
Prepaid expenses	1,586	1,485
Deferred income taxes	6,972	6,972
Total current assets	<u>95,992</u>	<u>106,436</u>
Property and equipment, net	598,368	568,573
Long-term investments	564	565
Other assets	786	805
Total assets	<u>\$695,710</u> =====	<u>\$676,379</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 29,334	\$ 30,565

Accrued expenses	50,208	48,452
Current portion of long-term debt	4,000	4,000
Current portion of capital lease obligations	130	130
	<hr/>	<hr/>
Total current liabilities	83,672	83,147
	<hr/>	<hr/>
Long-term debt	15,500	15,500
Capital lease obligations	1,435	1,468
Deferred income taxes	10,043	10,043
Stockholders' equity:		
Common stock - \$.50 par value, authorized 150,000,000 shares, issued and outstanding 60,615,628 at November 1, 1996 and 60,594,353 at August 2, 1996	30,308	30,297
Additional paid-in capital	203,232	202,951
Retained earnings	351,520	332,973
	<hr/>	<hr/>
Total stockholders' equity	585,060	566,221
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$695,710 =====	\$676,379 =====

See notes to condensed financial statements.

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

	Quarters Ended	
	November 1, 1996	October 27, 1995
Net sales:		
Restaurant	\$202,528	\$174,557
Retail	56,374	46,454
Total sales	258,902	221,011
Cost of goods sold	89,315	73,607
Gross profit on sales	169,587	147,404
Labor & related expenses	87,225	73,949
Other store operating expenses	37,969	33,331
General and administrative	14,354	13,562
Total expenses	139,548	120,842
Operating income	30,039	26,562
Interest expense	-	179
Interest income	364	704
Pretax income	30,403	27,087
Provision for income taxes	11,553	10,293
Net income	\$ 18,850	\$ 16,794
Earnings per share	\$.31	\$.28
Weighted average shares	61,107	60,621
Dividends per share	\$.005	\$.005

See notes to condensed financial statements.

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

	Three Months Ended	
	November 1, 1996	October 27, 1995
Cash flows from operating activities:		
Net income	\$18,850	\$16,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	8,983	7,863
(Gain)loss on disposition of property and equipment	(56)	9
Increase in inventories	(16,479)	(12,185)
Decrease(increase) in other assets	19	(101)
Decrease in accounts payable	(1,231)	(3,483)
Increase in other current assets and liabilities	1,872	4,147
Net cash provided by operating activities	11,958	13,044
Cash flows from investing activities:		
Purchase of short-term and long-term investments	--	(1,835)
Proceeds from maturities of short-term and long-term investments	3,380	403
Purchase of property and equipment	(39,537)	(30,012)
Proceeds from sale of property and equipment	815	20
Net cash used in investing activities	(35,342)	(31,424)
Cash flows from financing activities:		
Proceeds from exercise of stock options	292	2,164
Principal payments under long-term debt and capital lease obligations	(33)	(28)
Dividends on common stock	(303)	(301)
Net cash (used in)provided by financing activities	(44)	1,835
Net decrease in cash and cash equivalents	(23,428)	(16,545)
Cash and cash equivalents, beginning of period	28,971	48,124
Cash and cash equivalents, end of period	\$ 5,543	\$31,579
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the three months for:		
Interest	\$ 8	\$ 12
Income taxes	5,326	5,495

See notes to condensed financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Condensed Financial Statements

The condensed balance sheet as of November 1, 1996 and the related condensed statements of income and of cash flow for the quarters ended November 1, 1996 and October 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 August 2, 1996.

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

2. Income Taxes

The provision for income taxes for the quarter ended November 1, 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 rates for the quarter ended October 27, 1995 and for the entire fiscal year of 1996 were 38.0%.

3. Accounting Pronouncements Adopted

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", effective August 3, 1996. SFAS No. 121 requires that upon adoption companies must review all their assets and determine under certain circumstances if an asset has been impaired, in which case the asset is written down to a new carrying amount that is less than the remaining cost and a loss is recognized. After adoption companies must review assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Upon adoption, the Company reviewed all its assets as required by SFAS No. 121 and no loss was required to be recognized in the first quarter.

The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation", effective August 3, 1996. SFAS No. 123 establishes a "fair value" based method for stock compensation plans. The Company has elected to continue to account for its stock-based employee compensation arrangements under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", as permitted by SFAS No. 123. However, the Company will comply with the disclosure requirements of SFAS No. 123 in its fiscal 1997 Annual Report.

4. Seasonality

The sales and profits of the Company are affected significantly by seasonal travel and vacation patterns because of its interstate highway locations. Historically, the Company's greatest sales and profits have occurred during the period of June through August. Early December through the last part of February, excluding the Christmas holidays, has historically been the period of lowest sales and profits. Therefore, the results of operations for the quarter ended November 1, 1996 cannot be considered indicative of the operating results for the full fiscal year.

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

Results of Operations

The following table highlights operating results for the quarter ended November 1, 1996 as compared to the same period a year ago:

	Quarters Ended	
	November 1, 1996	October 27, 1995
Net sales:		
Restaurant	78.2%	79.0%
Retail	21.8	21.0
Total sales	<u>100.0%</u>	<u>100.0%</u>
Cost of goods sold	34.5	33.3
Gross profit on sales	<u>65.5</u>	<u>66.7</u>
Labor & related expenses	33.7	33.5
Other store operating expenses	14.7	15.1
General and administrative	5.5	6.1
Total expenses	<u>53.9</u>	<u>54.7</u>
Operating income	11.6	12.0
Interest expense	0.0	0.1
Interest income	0.2	0.4
Pretax income	<u>11.8</u>	<u>12.3</u>
Provision for income taxes	4.5	4.7
Net income	<u>7.3%</u>	<u>7.6%</u>

Same Store Sales Analysis
214 Store Average

Restaurant	\$ 788.4	\$778.1
Retail	218.5	207.9
Restaurant & retail	<u>\$1,006.9</u>	<u>\$986.0</u>

Comparable 13-Week Periods Ended
Same Store Sales Analysis
214 Store Average

	November 1, 1996	November 3, 1995
Restaurant	\$ 788.4	\$766.6
Retail	218.5	207.3
Restaurant & retail	<u>\$1,006.9</u>	<u>\$973.9</u>

Sales

Net sales for the first quarter of fiscal 1997 increased 17% compared to last year's first quarter. For the comparable 13-week period ended November 1, 1996, same store restaurant sales increased 2.8% and same store retail sales increased 5.4%, for a total same store sales (restaurant and retail) increase of 3.4%. New stores and the effect of a one-week shift in comparable 13-week periods accounted for the balance of the first quarter net sales increase. The first quarter of fiscal 1997 was the 13 weeks beginning August 3, 1996, and ending November 1, 1996. Last fiscal year the first quarter was the 13 weeks beginning July 29, 1995, and ending October 27, 1995. The two fiscal quarters do not cover the comparable 13-week periods because fiscal 1996 was a 53-week year. This is significant because the first quarter of fiscal 1996 included the week ending August 4, a seasonally busy time for Cracker Barrel. The first quarter of fiscal 1997 did not include the corresponding week.

Cost of Goods Sold

Cost of goods sold as a percentage of net sales for the first quarter of fiscal 1997 was 34.5% compared to 33.3% in the first quarter of last year. The primary reasons for the increase in the first quarter were substantial increases in dairy and hog complex prices.

Labor and Related Expenses

Labor and related expenses include all direct and indirect labor and related costs incurred in store operations. Labor and related expenses as a percentage of net sales increased to 33.7% in the first quarter this year from 33.5% in the first quarter of last year primarily due to the introduction of a new store-level bonus program. The new plan is intended to create greater incentive for managers and district managers to improve the operating performance of existing stores and to bring newer units in line with system averages sooner.

Other Store Operating Expenses

Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities and depreciation and amortization. Other store operating expenses as a percentage of net sales were 14.7% this year versus 15.1% during the same quarter last year. The primary reason for the decrease in other store operating expenses as a percentage of net sales was a decrease in operating supplies expense as a result of returning to paper napkins from linen napkins in the stores.

General and Administrative Expenses

General and administrative expenses as a percentage of net sales decreased to 5.5% during the first quarter of this year from 6.1% during the first quarter of last year. The primary reason for the decrease was increased sales volume as compared to the first quarter of last year.

Interest Expense

Interest expense decreased to \$0 for the first quarter of this year from \$179 for the first quarter a year ago. The decrease was primarily due to lower average debt outstanding during the quarter and capitalized interest related to the construction of new stores, which combined to reduce interest expense to \$0 for the quarter.

Interest Income

Interest income decreased to \$364 for the first quarter of this year from \$704 for the first quarter a year ago. The primary reason for the decrease in interest income was lower average funds available for investment.

Liquidity and Capital Resources

The Company's operating activities provided net cash of \$11,958 for the three months ended November 1, 1996. The cash provided by net income adjusted by depreciation and amortization was partially offset by increases in inventories.

Capital expenditures were \$39,537 for the first three months of fiscal 1996. Land purchases and the construction of new stores accounted for substantially all of these expenditures. Capitalized interest was \$639 for the three months ended November 1, 1996 as compared to \$451 for the same period a year ago.

The Company's internally generated cash, short-term and long-term investments were sufficient to finance all of its growth in the first three months of fiscal 1997.

The Company estimates that its capital expenditures for fiscal 1997 will be approximately \$180,000, substantially all of which will be land purchases and the construction of new stores. As of December 2, 1996, the Company received cash of \$50,000 related to a promissory note signed with a bank. This note represents a 5-year term loan commitment which will become part of a larger bank loan facility of \$125,000 anticipated to be completed during the third quarter. The \$125,000 facility will consist of a \$50,000 5-year term loan, a \$25,000 5-year term loan and a \$50,000 3-year revolving credit line. Management believes that cash, short-term and long-term investments at November 1, 1996, along with cash generated from the Company's operating activities and the bank loan facility discussed above, will be sufficient to finance its continued expansion in fiscal 1997 and its continued expansion plans through fiscal 1999. Presently, the Company also has an unused revolving credit line of \$15,000, which will expire on January 31, 1997.

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 November 1, 1996, and the related condensed statements of income and cash flows for the quarters ended November 1, 1996 and October 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 August 2, 1996, 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 11, 1996, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of August 2, 1996 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Nashville, Tennessee
December 12, 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 26, 1996.

B. Election of Directors - The following represents directors whose terms of offices continued after the meeting: James C. Bradshaw, Robert V. Dale, Dan W. Evins, Edgar W. Evins, William D. Heydel, Robert C. Hilton, Charles E. Jones, Jr., Charles T. Lowe, Jr., B. F. Lowery, Ronald N. Magruder, Gordon L. Miller, Martha M. Mitchell and Jimmie D. White. James H. Stewart reached the mandatory retirement age of 70 for board members and, therefore retired from the board effective with the shareholders meeting.

C. Other Matters:

Proposal 2 - To consider and vote upon the adoption of the Cracker Barrel Old Country Store Amended and Restated Stock Option Plan, to replace the Company's 1987 Stock Option Plan which will expire on June 25, 1997.

Affirmative votes cast	26,046,610
Negative votes cast	<u>10,283,639</u>
Votes cast to abstain	<u>512,112</u>
Broker non-votes	<u>15,113,073</u>

Proposal 3 - Approval of appointment of auditors. This proposal was to approve the selection of Deloitte and Touche LLP as the Company's independent auditors for the 1997 fiscal year.

Affirmative votes cast	51,491,675
Negative votes cast	<u>251,408</u>
Votes cast to abstain	<u>212,351</u>

Proposal 4 - Shareholder proposal. This shareholder proposal requested the Board of Directors to consider and take action on a proposal of certain shareholders, requesting that the Compensation and Stock Option Committees link executive compensation to social issues.

Affirmative votes cast	2,722,681
Negative votes cast	<u>30,183,846</u>
Votes cast to abstain	<u>1,841,123</u>
Broker non-votes	<u>17,207,784</u>

Proposal 5 - Shareholder proposal. This shareholder proposal requested the Board of Directors to consider and take action on a proposal of a certain shareholder, requesting that the Board of Directors prepare a report ascertaining the costs incurred by the Company due to the alleged "continuing controversy" regarding its policies towards gay men and lesbians.

Affirmative votes cast	3,320,826
Negative votes cast	<u>28,964,502</u>
Votes cast to abstain	<u>2,462,322</u>
Broker non-votes	<u>17,207,784</u>

D. None

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Letter regarding unaudited financial information.

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: 12/12/96 By /s/Michael A. Woodhouse

Michael A. Woodhouse, Chief Financial Officer

Date: 12/12/96 By /s/Patrick A. Scruggs

Patrick A. Scruggs, Assistant Treasurer

December 12, 1996

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

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Cracker Barrel Old Country Store, Inc. for the quarters ended November 1, 1996 and October 27, 1995, as indicated in our report dated December 12, 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 November 1, 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 3 MONTHS ENDED NOVEMBER 1, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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3-MOS		
	AUG-3-1997	
	AUG-3-1996	
	NOV-1-1996	5543
		1356
		2586
		0
		77949
	95992	730525
	132157	
	695710	
83672		15500
0		0
		30308
		554752
695710		258902
	258902	89315
	125194	
	14354	
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	11553	
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