

CRACKER BARREL OLD COUNTRY STORE, INC
Form 10-Q
February 26, 2019

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 February 1, 2019

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 62 0812904
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

305 Hartmann Drive 37087-4779
Lebanon, Tennessee (Zip code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (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

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.

24,041,374 Shares of Common Stock

Outstanding as of February 19, 2019

CRACKER BARREL OLD COUNTRY STORE, INC.

FORM 10-Q

For the Quarter Ended February 1, 2019

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

(In thousands, except share data)

(Unaudited)

	February 1, 2019	August 3, 2018*
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 169,564	\$ 114,656
Accounts receivable	16,977	19,496
Inventories	151,402	156,253
Prepaid expenses and other current assets	21,200	16,347
Total current assets	359,143	306,752
Property and equipment	2,266,061	2,212,601
Less: Accumulated depreciation and amortization of capital leases	1,103,875	1,063,466
Property and equipment – net	1,162,186	1,149,135
Other assets	66,474	71,468
Total assets	\$ 1,587,803	\$ 1,527,355

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 117,885	\$ 122,332
Deferred revenue	104,365	76,292
Accrued interest expense	3,698	49
Other current liabilities	154,182	165,946
Total current liabilities	380,130	364,619

Long-term debt	400,000	400,000
Other long-term obligations	127,719	128,794
Deferred income taxes	51,336	52,161

Commitments and Contingencies (Note 12)

Shareholders' Equity:

Preferred stock – 100,000,000 shares of \$.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 \$.01 par value authorized; 24,041,374 shares issued and outstanding at February 1, 2019, and 24,011,550 shares issued and outstanding at August 3, 2018	240	240
Additional paid-in capital	46,125	44,049
Accumulated other comprehensive income	1,939	4,685
Retained earnings	580,314	532,807
Total shareholders' equity	628,618	581,781
Total liabilities and shareholders' equity	\$ 1,587,803	\$ 1,527,355

See Notes to unaudited Condensed Consolidated Financial Statements.

* This Condensed Consolidated Balance Sheet has been derived from the audited Consolidated Balance Sheet as of August 3, 2018, as filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the fiscal year ended August 3, 2018.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME(In thousands, except share data)
(Unaudited)

	Quarter Ended		Six Months Ended	
	February 1, 2019	January 26, 2018	February 1, 2019	January 26, 2018
Total revenue	\$811,707	\$787,771	\$1,545,250	\$1,498,139
Cost of goods sold (exclusive of depreciation and rent)	265,179	260,952	487,472	471,701
Labor and other related expenses	276,774	263,726	534,933	511,794
Other store operating expenses	156,819	150,407	309,297	294,227
Store operating income	112,935	112,686	213,548	220,417
General and administrative expenses	36,224	36,012	75,159	72,905
Operating income	76,711	76,674	138,389	147,512
Interest expense	4,177	3,680	8,526	7,298
Income before income taxes	72,534	72,994	129,863	140,214
Provision for income taxes	11,779	(18,145)	21,901	2,695
Net income	\$60,755	\$91,139	\$107,962	\$137,519
Net income per share:				
Basic	\$2.53	\$3.80	\$4.49	\$5.73
Diluted	\$2.52	\$3.79	\$4.48	\$5.71
Weighted average shares:				
Basic	24,040,374	24,001,493	24,031,480	24,018,347
Diluted	24,093,725	24,056,533	24,083,723	24,080,860
Dividends declared per share	\$1.25	\$1.20	\$2.50	\$2.40
Dividends paid per share	\$1.25	\$1.20	\$2.50	\$2.40

See Notes to unaudited Condensed Consolidated Financial Statements.

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CRACKER BARREL OLD COUNTRY STORE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in thousands)

	Quarter Ended		Six Months Ended	
	February		February	
	1,	January 26,	1,	January 26,
	2019	2018	2019	2018
Net income	\$60,755	\$ 91,139	\$107,962	\$ 137,519
Other comprehensive (loss) income before income tax (benefit) expense:				
Change in fair value of interest rate swaps	(5,371)	5,394	(3,672)	8,449
Income tax (benefit) expense	(1,332)	1,855	(926)	3,023
Other comprehensive (loss) income, net of tax	(4,039)	3,539	(2,746)	5,426
Comprehensive income	\$56,716	\$ 94,678	\$105,216	\$ 142,945

See Notes to unaudited Condensed Consolidated Financial Statements.

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CRACKER BARREL OLD COUNTRY STORE, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited and in thousands except share data)

	Common Stock		Additional Paid-In Capital	Accumulated		Total Shareholders' Equity
	Shares	Amount		Other Comprehensive Income	Retained Earnings	
Balances at August 3, 2018	24,011,550	\$ 240	\$ 44,049	\$ 4,685	\$ 532,807	\$ 581,781
Comprehensive Income:						
Net income	--	--	--	--	47,207	47,207
Other comprehensive income (loss), net of tax	--	--	--	1,293	--	1,293
Total comprehensive income (loss)	--	--	--	1,293	47,207	48,500
Cash dividends declared - \$1.25 per share	--	--	--	--	(30,176)	(30,176)
Share-based compensation	--	--	2,089	--	--	2,089
Issuance of share-based compensation awards, net of shares withheld for employee taxes	22,825	--	(2,016)	--	--	(2,016)
Balances at November 2, 2018	24,034,375	\$ 240	\$ 44,122	\$ 5,978	\$ 549,838	\$ 600,178
Comprehensive Income:						
Net income	--	--	--	--	60,755	60,755
Other comprehensive income (loss), net of tax	--	--	--	(4,039)	--	(4,039)
Total comprehensive income (loss)	--	--	--	(4,039)	60,755	56,716
Cash dividends declared - \$1.25 per share	--	--	--	--	(30,279)	(30,279)
Share-based compensation	--	--	2,044	--	--	2,044
Issuance of share-based compensation awards, net of shares withheld for employee taxes	6,999	--	(41)	--	--	(41)
Balances at February 1, 2019	24,041,374	\$ 240	\$ 46,125	\$ 1,939	\$ 580,314	\$ 628,618

See Notes to unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	February	
	1, 2019	January 26, 2018
Cash flows from operating activities:		
Net income	\$107,962	\$ 137,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,056	44,344
Loss on disposition of property and equipment	5,760	3,029
Share-based compensation	4,133	4,321
Changes in assets and liabilities:		
Inventories	4,851	(3,216)
Other current assets	(2,334)	(6,359)
Accounts payable	(4,447)	(11,893)
Other current liabilities	20,641	2,654
Other long-term assets and liabilities	3,241	(21,894)
Net cash provided by operating activities	190,863	148,505
Cash flows from investing activities:		
Purchase of property and equipment	(70,286)	(63,728)
Proceeds from insurance recoveries of property and equipment	457	275
Proceeds from sale of property and equipment	91	340
Net cash used in investing activities	(69,738)	(63,113)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	400,000	--
(Taxes withheld) and proceeds from issuance of share-based compensation awards, net	(2,057)	(3,360)
Principal payments under long-term debt	(400,000)	--
Purchases and retirement of common stock	--	(14,772)
Deferred financing costs	(3,022)	--
Dividends on common stock	(61,138)	(59,453)
Net cash used in financing activities	(66,217)	(77,585)
Net increase in cash and cash equivalents	54,908	7,807
Cash and cash equivalents, beginning of period	114,656	161,001
Cash and cash equivalents, end of period	\$169,564	\$ 168,808
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$4,217	\$ 6,780
Income taxes	\$20,201	\$ 22,889
Supplemental schedule of non-cash investing and financing activities:		
Capital expenditures accrued in accounts payable	\$7,548	\$ 2,737
Change in fair value of interest rate swaps	\$(3,672)	\$ 8,449

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Change in deferred tax asset for interest rate swaps	\$926	\$ (3,023)
Dividends declared but not yet paid	\$31,093	\$ 29,853

See Notes to unaudited Condensed Consolidated Financial Statements.

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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 condensed consolidated balance sheets at February 1, 2019 and August 3, 2018, the related condensed consolidated statement of changes in shareholders’ equity at February 1, 2019 and the related condensed consolidated statements of income, comprehensive income and cash flows for the quarters ended February 1, 2019 and January 26, 2018, respectively, 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.