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Cracker Barrel Old Country Store, Inc. (CBRL) Q1 2026 Earnings Call Transcript

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Q1: 2025-12-09 Earnings Summary

Insights



EPS of $-\$0.74$ **misses by $\$0.01$** | Revenue of $\$797.19\text{M}$ $(-5.67\% \text{ Y/Y})$ **misses by $\$3.10\text{M}$**

Cracker Barrel Old Country Store, Inc. ([CBRL](#)) Q1 2026 Earnings Call December 9, 2025 5:00 PM EST

Company Participants

Adam Hannon - Manager of Investor Relations

Julie Masino - President, CEO & Director

Craig Pommells - Senior VP & CFO

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division

Jeffrey Farmer - Gordon Haskett Research Advisors

Jake Bartlett - Truist Securities, Inc., Research Division

Brian Mullan - Piper Sandler & Co., Research Division

Isiah Austin - BofA Securities, Research Division

Jon Tower - Citigroup Inc., Research Division

Presentation

Operator

Good day, and welcome to the Cracker Barrel Fiscal 2026 First Quarter Conference Call. [Operator Instructions]

Please note, this event is being recorded. I would now like to turn the conference over to Adam Hannon, Director of Investor Relations. Please go ahead.

Adam Hannon

Manager of Investor Relations

Thank you. Good afternoon, and welcome to Cracker Barrel's First Quarter Fiscal 2026 Conference Call and Webcast. This afternoon, we issued a press release announcing our first quarter results. In this press release and on this call, we will refer to non-GAAP financial measures such as adjusted EBITDA for the first quarter ended October 31, 2025. Please refer to the footnotes in our press release for further details about these metrics. The company believes these measures provide investors with an enhanced understanding of the company's financial performance. This information is not intended to be considered in isolation or as a substitute for net income or earnings per share information prepared in accordance with GAAP.

The last pages of the press release include reconciliations from the non-GAAP information to the GAAP financials. On the call with me are Cracker Barrel's President and CEO, Julie Masino; and Senior Vice President and CFO, Craig Pommells. Julie and Craig will provide a review of the business financials and outlook. We will then open up the call for questions.

On this call, statements may be made by management of their beliefs and expectations regarding the company's future operating results or expected future events. These are known as forward-looking statements, which involve risks and uncertainties that, in many cases, are beyond management's control and may cause actual results to differ materially from expectations.

We caution our listeners and readers in considering forward-looking statements and information. Many of the factors that could affect results are summarized in the cautionary description of risks and uncertainties found at the end of the press release and are described in detail in our reports that we file with or furnished to the SEC.

Finally, the information shared on this call is valid as of today's date, and the company undertakes no obligation to update it, except as may be required under applicable law.

I'll now turn the call over to Cracker Barrel's President and CEO, Julie Masino. Julie?

Julie Masino

President, CEO & Director

Good afternoon, and thank you for joining us. As you are all aware, the past few months have been difficult for Cracker Barrel and for our 70,000 team members around the country. And while many of our guests are enjoying our improved food and guest experience, we certainly have more work to do to regain the trust and confidence of others who have been slower to return. This will take time, but we are executing a plan and are confident we will get back to the trajectory we saw in fiscal '25.

Turning to our Q1 performance. Our unique circumstances during the first quarter were exacerbated by a difficult macro and industry backdrop that saw choppy traffic patterns. Sales were down 5.7% compared to the first quarter of fiscal 2025 with adjusted EBITDA of \$7.2 million. Our EBITDA was clearly impacted by our topline performance. But I also want to remind everyone that it included incremental costs related to advertising, marketing and our GM conference, which totaled approximately \$14 million.

Traffic was down 1% in the first half of August and was down approximately 9% for the remainder of the quarter. We are taking decisive actions to return our performance to a positive trajectory, which can be grouped into 3 areas, the first 2 areas are centered around our focus on our food and the guest experience and include evolving our operations and connecting with our guests through our menu, marketing and value proposition.

The third area is pursuing cost savings to improve profitability. Starting with operations. We have 3 main areas of focus and activity. Optimizing our back-of-house initiatives, conducting extensive training and making key leadership changes. As you may know, our back-of-house initiative is a multi-phase program aimed at improving food quality and consistency, while also simplifying operations and contributing to cost savings.

Q4 was the first full quarter in which Phase 1 had been rolled out. Although Phase 1 was delivering meaningful savings, it became clear during the quarter that the new processes at scale made consistent execution more challenging for our operators and impacted the consistency of our food.

Given the importance of food and experience as well as the heightened scrutiny around our brand, we decided to change course and reinstated our prior processes. Based on these learnings, we're evolving Phase 2 of our back-of-house initiative and our store testing methodologies to better ensure that any changes we introduced will be easily executable across the system and help our operators deliver the consistent quality our guests expect.

To the extent we have to sacrifice some planned cost savings to achieve this goal, we will do so, and we're confident we will recoup these savings elsewhere. To ensure that our back-of-house teams are best positioned to deliver consistently outstanding food and experiences, during the month of October, we successfully retrained all of our managers, kitchen production staff and grill cooks on core, classic Cracker Barrel recipes as well as our new holiday offerings.

Finally, during the quarter, we also made key operational leadership changes to remove a layer of management, get closer to our guests and drive a relentless focus on food and hospitality. Doug Hisel previously Vice President, Field Operations, was promoted to Senior Vice President, Store Operations. Doug has been with Cracker Barrel for over 18 years and has held a variety of operational roles of increasing responsibility. He has a deep understanding of Cracker Barrel's people, processes and standards.

Teams in the field at all levels are responding to his leadership. Since Doug assumed his new role, he has emphasized flawless food, operational precision and shared accountability among leaders and team members, and we've seen encouraging trends in guest metrics as a result. In recent months, our Google star rating, which is strongly correlated with traffic, has been running at its highest level since early 2020.

Additionally, we've seen improvements in food taste, service, value and experience, all of which improved between 3% and 4% in October and even more in November versus prior year. These metrics are important leading indicators, and we expect they will translate into improved traffic over time.

Turning now to our guests. We continue to work a multipronged plan to ensure we are connecting with them through our menu, our messaging and our loyalty program. This is the second area of focus I referenced earlier. With respect to our menu, we are returning dishes to the menu that our guests have told us they love and miss, like we did with Campfire Meals, Uncle Herschel's breakfast and Chicken n' Rice. We brought back 2 fan favorite dishes to our holiday menu this year, Country Fried Turkey and Cinnamon Swirl French Toast as well as the highly requested Turkey Sausage.

We also introduced a new breakfast burger. This delicious burger is topped with our signature hashbrown casserole and is the ultimate combination of country cooking and a breakfast for dinner entree. Guest feedback on these new and old favorites has been positive. Going forward, we continue to leverage guest feedback and have quality improvement tests planned for signature items in the coming months. We are working to ensure our core menu remains craveable and includes favorites that guests have missed.

I already mentioned some of the items we've brought back and next month, our guests will see even more favorites return to the menu, such as Hamburger Steak and Eggs in a Basket. To oversee this effort, I'm pleased to report that Thomas Yun has rejoined Cracker Barrel to lead our culinary teams. Thomas previously served in this role from 2022 to 2024 and was the driving force behind several of our most successful menu introductions, including Pot Roast and Hashbrown Casserole Shepherd's Pie. He also brought back the loved legacy classics like the return of Chicken n' Rice. His efforts to strengthen the heart of the menu will help us deliver the familiarity, quality and comfort our guests expect from Cracker Barrel.

With respect to our messaging, our marketing teams are following a clear framework rooted in food, value, heritage and shared values, while reinforcing traditions. We are reassuring guests that the Cracker Barrel they love hasn't gone anywhere, while also driving shorter-term traffic in a way that is true to the brand and preserves our commitment to everyday value. We are also pleased that we've improved our ability to seek and receive feedback from guests as we leverage our Cracker Barrel Rewards Loyalty Program, which continues to grow at impressive rates.

We are deepening our storytelling by showing up in the places and passions that matter most to our guests from NASCAR and College Football to Country Music, we are leaning into the cultural touch points that reflect who we are and who we serve. We are also strengthening our presence at the local level through expanded store marketing efforts designed to connect with new and existing guests directly in their neighborhoods, bringing our heritage, food, hospitality and storytelling to life where they live, gather and celebrate.

We recently introduced the Our Country Friends series on social media, showing our commitment to scratch-cooked food made with care. Cracker Barrel suppliers include many of the company has partnered with for decades and we've been so proud to highlight these American businesses and the people behind them. A few that we featured include our sourdough bread maker, Bay's bread, based right here in Lebanon, Tennessee; and our coffee and tea maker, Royal Cup, based out of Birmingham, Alabama.

Finally, we are emphasizing and expanding our long-standing commitment to the military community. Our military retail assortment has been a part of Cracker Barrel for decades, and guests have always responded to these assortments because it reflects the pride and patriotism that is core to Cracker Barrel. Our guests, many of them veterans, active service members and military families have asked us to do more and we have responded.

Building on the success of last year, on Veterans Day, we offered a complementary Sunrise Pancake Special for military members, and we helped support 30 worthy veterans organizations throughout November. Most significantly, on November 12, we launched an ongoing 10% military discount available all day, every day in both restaurant and retail to show our continued gratitude to those who serve. The new discount is available through our rewards program, ensuring that all active military and veterans can easily receive this benefit with every visit.

As you can imagine, these are long-term efforts. But we're also pursuing shorter-term initiatives that are aimed at driving traffic in a way that is authentically Cracker Barrel. We anticipate leaning into these even more heavily over the balance of the year. During Q1, we launched a series of highly promotional short-term offers such as BOGO Sunrise Pancake Special, BOGO Old Timer's Breakfast, Kids Eat Free, All-You-Can-Eat National Pancake Day and Pancake Blocktober.

These promotions drove meaningful traffic lifts during the short windows in which they ran. Continuing these efforts this week, we will be leveraging our position as a beloved holiday destination by launching a limited-time promotion of a free toy with the purchase of a kids meal. This offer, which integrates both restaurant and retail is not only a great value, kids get to choose a free toy, up to \$5 or receive \$5 off a higher-priced toy. And it also taps into the nostalgia and tradition that gets associated so strongly with our brand.

We are being very careful to deploy these shorter-term initiatives in a way that preserves our longer-term commitment to everyday value through abundant portions at a fair price and our strong loyalty program. We know these things remain incredibly important to our guests and are key to our business model. Recent guest research shows that our value proposition remains strong. This is particularly encouraging given the macroeconomic backdrop and heightened promotional activity in the industry.

Cracker Barrel Rewards is another key vehicle for delivering value to our guests and staying connected to them. Since the last time we spoke, we've added another 1 million members and now have over 10 million members in the program. Members now account for 40% of tracked sales. This program continues to be a powerful tool to directly communicate with guests, whether to drive traffic or receive their input.

In September, we launched front porch feedback, a program that gives loyalty members the opportunity to comment directly to our team on aspects of their visit. This feedback, in addition to extensive guest research we conducted during the quarter has been instrumental in guiding our action plan to improve food and experience and to reinforce guest perception of our strong value proposition.

Finally, we are leveraging our differentiated retail platform to deliver value to guests. We're leaning into the holidays, and we have a thoughtfully curated collection of seasonal gifts, with many items available only at Cracker Barrel at great value across price points. As we work towards reaccelerating our traffic trajectory through our focus on food and experience, it is critical that we continue to pursue cost savings and adjust our expenses.

We are doing both, but we will do so only in ways that protect food quality, the guest experience and our store-level operations. As part of our cost savings efforts, we have previously stated that our goal was to get G&A closer to historical levels as a percentage of sales. We started a corporate restructuring during Q1. We will be accelerating and expanding this initiative through a further restructuring of our corporate support center during the remainder of the second quarter.

While this will be understandably difficult for some of our corporate team members, it is necessary to successfully navigate the current headwinds, streamline the focus of our corporate functions, protect our balance sheet and ensure we can invest in the food and guest experience. In summary, we are facing a unique set of challenges, which necessitates a long-term approach to drive improved performance and recover the momentum we had earlier in calendar 2025.

Guiding all of this is the overarching priority of serving up delicious food and delivering experiences guests love. We have made key operational changes, we're connecting and reconnecting with our guests through our menu, messaging and continued commitment to value, and we're taking significant steps to improve profitability. These are the things we need to do to return the company to a position of strength and recover the momentum we had been generating.

I'll now turn it over to Craig to review our results and discuss our outlook.

Craig Pommells

Senior VP & CFO

Thank you, Julie, and good afternoon, everyone. For Q1, we reported total revenue of \$797.2 million, which was down 5.7% from the prior year quarter. Restaurant revenue decreased 4.8% to \$650.6 million. Comparable store restaurant sales decreased by 4.7%, which included a traffic decline of 7.3%. Pricing was 4.1%, and menu mix was negative 1.2%. And the negative menu mix was driven by the value promotions we paused during the quarter to support traffic as well as lower dinner traffic.

Off-premise sales were 18.1% of restaurant sales. Total retail revenue decreased 9.4% to \$146.6 million and comparable store retail sales decreased by 8.5%. This decrease was primarily driven by the decline in traffic as well as lower retail attachment rates and unfavorable retail mix.

Moving on to our quarterly expenses. Total cost of goods sold in the quarter was 31.2% of total revenue versus 30.6% in the prior year. Restaurant cost of goods sold was 26.6% of restaurant sales versus 26.1% in the prior year. This 50 basis point increase was driven by higher waste related to product and process changes, increased discounts and commodity inflation, partially offset by menu pricing.

Commodity inflation was approximately 2.1%, driven principally by higher pork, beef and egg prices, partially offset by lower poultry and produce prices. Retail cost of goods sold was 51.4% of retail sales versus 49.7% in the prior year. This 170 basis point increase was primarily driven by tariffs and higher discounts, partially offset by pricing.

Quarter-end inventories were \$209.1 million compared to \$201.9 million in the prior year. Labor and related expenses were 37.8% of revenue compared to 36.4% in the prior year. This 140 basis point increase was primarily driven by sales deleverage and lower productivity, which was partially due to actions to support the guest experience. Wage inflation was approximately 1.5%.

Other operating expenses were 28.7% of revenue compared to 25% in the prior year. This 370 basis point increase is primarily composed of the following: first, approximately 110 basis points from higher advertising expenses due to planned increases in marketing and sales deleverage; second, approximately 80 basis points due to planned expenses related to our General Managers Conference, which typically occurs every other year; and third, approximately 200 basis points related to store occupancy costs, driven by sales deleverage and higher maintenance expenses.

The increase in maintenance is due to an updated accrual process associated with the implementation of a new tool, which is onetime in nature as well as increased spending. The increases were partially offset by higher vendor credits. Adjusted general and administrative expenses were 5.1% of revenue and exclude \$1.4 million in expenses related to the proxy contest and a \$6.2 million corporate restructuring charge that includes professional fees related to business model improvement work and severance related to the organizational and leadership structure changes.

Compared to the prior year, adjusted general and administrative expenses improved 120 basis points, primarily driven by lower incentive compensation. Our GAAP financial results include approximately \$3.1 million in expenses related to lease terminations associated with the Maple Street units that were closed during the quarter.

Net interest expense was \$3.7 million compared to net interest expense of \$5.8 million in the prior year. This decrease was primarily the result of a lower revolver balance and a higher convertible debt balance. Our GAAP income taxes were an \$11.9 million credit, adjusted income taxes were a \$9.4 million credit. GAAP earnings per diluted share were negative \$1.10 and adjusted earnings per diluted share were negative \$0.74.

Adjusted EBITDA was \$7.2 million or 0.9% of total revenue compared to \$45.8 million or 5.4% of total revenue in the prior year. Now turning to capital allocation and our balance sheet. We continue to have a strong balance sheet and ample liquidity, which gives us confidence that we can successfully navigate through the current headwinds. We ended the quarter with \$550.3 million in debt compared to \$527 million in the prior year.

At quarter end, our total available liquidity was \$485 million, and our consolidated total debt to adjusted EBITDA leverage ratio was 2.8x. In the first quarter, we invested \$34.2 million in capital expenditures. Additionally, as announced in today's press release, the Board declared a quarterly dividend of \$0.25 per share payable on February 11, 2026 to shareholders of record on January 16, 2026.

Before providing our outlook, I want to touch on our recent trends. Quarter-to-date, traffic has declined approximately 11%. The traffic appears to have stabilized as weekly traffic has been relatively consistent in Q2, including the Thanksgiving week. Although Thanksgiving weak, the traffic comps were in line with the rest of the month, we were still pleased that millions of guests chose to dine with us that week, and we delivered notable improvements in guest experience metrics, while doing nearly \$110 million in sales.

Turning to our fiscal '26 outlook. Our outlook reflects our best estimate as of today. The rate and level of our traffic recovery as well as the level of investment required remain key drivers of our fiscal '26 EBITDA performance. As outlined in our press release, we anticipate the following for fiscal 2026. Total revenue of \$3.2 billion to \$3.3 billion. This reflects a slower recovery than we previously expected as well as a more challenged macro and industry backdrop compared to our prior outlook.

Pricing of 3.5% to 4.5% versus 4% to 5% in our prior guidance. Additionally, we expect lower menu mix resulting from higher discounts and lower dinner traffic. Commodity inflation of 2.5% to 3.5% and hourly wage inflation of 3% to 4%, both of which are consistent with our prior guidance. We are implementing a number of cost savings actions, some of which were previously planned and some of which are new. These actions will bolster our financial performance and increase our operating leverage when traffic improves and are focused on non-guest-facing areas. They include the following. First, as Julie stated, we executed a restructuring for the corporate support center in Q1 and there will be a further restructuring of the corporate support center in Q2. We expect these combined actions will result in annualized G&A savings of approximately \$20 million to \$25 million.

Second, we are reducing our planned advertising spend over the balance of the year and expect that our aggregate advertising expense in Q2 through Q4 will be approximately \$12 million to \$16 million lower compared to the same period in the prior year. Additionally, we continue to execute our ongoing cost savings program. However, we expect that the benefits from this program will be reinvested in the business, particularly in the menu as well as being offset by traffic deleverage, but we anticipate the G&A and the advertising savings I mentioned will flow through to the bottom line.

Taking all of the above into account, we now anticipate full year adjusted EBITDA of approximately \$70 million to \$110 million. The low end of the range reflects lower traffic that is more consistent with recent performance, elevated discounts and lower retail attachment. The higher end of the range reflects gradually improving traffic in the second half of the fiscal year as well as more moderate discount levels and retail attachments. Finally, we are now planning for lower capital expenditures of \$110 million to \$125 million. This reduction is part of our comprehensive efforts to manage our cash flow and is in line with our baseline capital expenditures in years prior to the transformation.

The largest category is for maintenance capital expenditures. And while we have reduced this area, we're being careful to maintain an appropriate level of spend here given our continued efforts to catch up on deferred maintenance. Additionally, this amount includes important strategic initiatives, such as replacing our point-of-sale system, which will be unsupported in approximately 1 year.

With that, I'll now turn the call back over to Julie for her closing remarks.

Julie Masino

President, CEO & Director

Thanks, Craig. Before we go to Q&A, I want to thank all of our team members around the country for their ongoing dedication as well as their efforts in making sure our guests had a wonderful Thanksgiving. I speak for all of them when I say we're energized to deliver for our guests and drive results, both now and well into the future. Guests come to us for craveable, comforting dishes and warm, genuine hospitality. And we are focusing our energy there by further elevating food quality, executing consistently and doubling down on the country hospitality and service that makes people feel cared for.

Now more than ever, Cracker Barrel remains a special and differentiated American brand, and we are focused on delivering that unique connection with our guests. Cracker Barrel is more than a restaurant or a retail store. It is the front porch of America, and the deep emotional connection guests feel is our greatest strength as we move ahead.

We are confident that we can return to growth over time and create long-term value for all stakeholders.

Question-and-Answer Session

Operator

[Operator Instructions]

The first question will come from Todd Brooks with The Benchmark Company.

Todd Brooks

The Benchmark Company, LLC, Research Division

A couple of questions here. First, I wanted to ask Julie about the cut in the advertising spend for the year, that kind of pulled back in ad dollars. Is that more reflective of kind of Q2 spend during this peak holiday period and it's kind of reflective of just needing to stabilize first, before getting a little bit more aggressive with advertising dollars to draw customers back to the brand?

Julie Masino

President, CEO & Director

Todd, thanks for the question. Let me come at it a different way. Q2 marketing spend was -- sorry, Q1 marketing spend was a little bit elevated at 4.2% of sales. We had planned incremental spend in conjunction with the brand relaunch. But obviously, that didn't go as planned. But that was already committed. So there wasn't a lot that we could do there.

We've looked at the advertising spend in the back half Q2 through Q4 to get it more in line with our current traffic levels and the imperative of reducing non-guest-facing costs. So that's what you're seeing. In aggregate, the spend will be about \$12 million to \$16 million below prior year over Q2 to Q4.

Craig Pommells

Senior VP & CFO

Yes. The only thing I would add to that, Todd, this is Craig, we also have the loyalty program, and we now have over 40% of our sales running through that program. And that allows -- we're able to talk to those guests directly in a more cost-effective way. So we have that opportunity.

And as always, we're always looking at the efficacy of our spend. And if there is -- it's performing really, really well, we can do more. But given where traffic is today, we thought we would be a little bit more conservative with the support of the loyalty program.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay. Great. And then my second question, and I'll jump back in queue. If you look at the trends, and you talked about kind of a consistent trend traffic-wise, even through Thanksgiving week, Julie. This November, December window is obviously kind of your most important seasonal period during the year. Is there much incremental that you're trying to do? I mean you talked about the LTO with the \$5 toy. Other incremental plans for that December window or kind of is the die cast for holiday and the performance will fall where it may, and then we'll see where we go going forward from that standpoint. I'm just trying to get a sense of, are we looking for any sign of inflection here kind of back half of fiscal Q2? Or is it more kind of if we see inflection, we're expecting that in the second half of the year?

Julie Masino

President, CEO & Director

Yes. Let me try to answer it again. Maybe a little bit differently, Todd. Maybe you and I are like crossing signals. I think -- look, this team is absolutely committed to getting back to a positive trajectory and regaining the traffic momentum that we had and getting back on our front foot here.

So we wake up every single day thinking about how to drive traffic. What we are really focused on is doing that one guest at a time with great experiences in store, amazing food, great hospitality, attentive service. That's really the core focus. What we're trying to do on top of that is regain trust.

Truly, we've got a little bit of a brand opportunity right now. There's some brand rebuilding and trust rebuilding that we need to do, and there's a sales opportunity. And so we are doing both of those things. When you really look at what we -- what the marketing team has been doing with the branding messaging, we're leaning into our legacy, our heritage and really messaging those emotional connections to remind people that we are the brands that they've known and loved all of these years, but that hasn't changed.

That's why our holiday messaging is around holiday and driving people in for LTOs that they know and recognize, like Country Fried Turkey and Cinnamon Swirl French Toast. But we're also really looking at how do we activate traffic so that people can come in and see that we are the brand that they know and love and that we have great value.

So the toy promotion, we're actually really pumped about that. It is uniquely Cracker Barrel. It activates both sides of our business. And unlike some LTOs that are so prescriptive, what I personally love about this is that you get to pick, go shopping. You want a toy that's under \$5, great, it's free. You want a toy that's \$15, we'll take \$5 off of it. If you want something that's \$50, we'll take \$5 off of it.

So it really lets consumer be the driver in a time where value is so important to them. And again, in a way that we can really create some emotional resonance with them in our restaurant and retail store.

Craig Pommells

Senior VP & CFO

And maybe the only thing I would add within our guidance range as it relates to sales, they're in the upper end of that range, does assume that things get better and the lower end of the range is more consistent with where we are right now. And clearly, there are a number of actions that we have planned to change the momentum. There are the longer-term actions, which primarily relate to all of the work that we're doing around food and the guest experience, and we're pleased with the gains that we're seeing there, but those are longer term.

Then there are shorter-term things that we're executing as well. Some of those -- they're not fully proven out. In other words, we haven't done them in prior years. So we're not completely certain how they're going to play out. But there are actions that should help to support that traffic improvement, but our guidance range contemplates that. The low end of the range is more steady states and the high end of the range is those things, the effectiveness of those are...

Julie Masino

President, CEO & Director

Gaining traction.

Craig Pommells

Senior VP & CFO

Are gaining traction and helping us to improve.

Operator

The next question will come from Jeff Farmer with Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

I'll use that last question as a bit of a segue. So I think when we last heard from you, the 2026 traffic guidance was down 7% to down 4%. So correct me if I'm wrong on that. But the question is what are you thinking about as it relates to an updated guidance range for traffic for the year?

Craig Pommells

Senior VP & CFO

Jeff, it's Craig. The -- yes, correct. Negative 4% to negative 7% was the guidance range we provided before, embedded in the \$3.2 billion to \$3.3 billion in sales that includes traffic that's about negative 8% to negative 10%. On top of that, the low end of the range includes a higher level of discounting and negative menu mix as well as a lower level of attachment with retail.

All of that goes into the lower end of that range. So traffic negative 8% to negative 10%. The higher end of the range assumes that there is some recovery in traffic in the back half of the year as well as less discounting and some moderation in the attachment rates in retail.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. That's helpful. Just 2 other quick ones. You pointed to a more challenged macro and industry backdrop, obviously, so maybe your peers have called this out as well. But anything specific to say there as it relates to what you're seeing in the macro backdrop?

Craig Pommells

Senior VP & CFO

I think we're probably all seeing the same thing, which is relative to September, consumer sentiment has softened, the labor numbers are not as strong as they used to be. Again, nothing alarming or anything, but they are softer than they were. And we've seen the overall industry traffic ticked down a bit relative to the summer over the last couple of months.

In terms of our consumers, one thing that's encouraging, our under \$60,000 group underperforming a little bit, but relatively close to the over \$60,000 or over \$80,000 groups. So we're not seeing dramatic differences across those income cohorts. We're also not seeing dramatic differences across the age cohorts. We're seeing a little bit better performance with the over 55 and over 65 than the under 55, but within a fairly narrow range.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. That's all very helpful. And last one, and thank you for bearing with me. But you mentioned that caught me a little bit off guard that when you -- you had some challenges with rolling out Phase 1 of your operations initiative. It sounds like you've sort of pivoted from that. But the question is, did those challenges, that you faced, have a material impact on either same-store sales or traffic in the quarter that you just reported?

Julie Masino

President, CEO & Director

Yes. Thanks for the question, Jeff. It's Julie. Let me start. Q4 was really the first full quarter in which we rolled out Phase 1. We talked about it on several of the calls. We rolled it in Q3, but it wasn't fully deployed at that point in time. What we really saw was that the teams struggled with the complexity of it at scale. It just what -- everything had to be perfected is really kind of what we learned as we rolled it out.

And that's in our world just very difficult to control for. And given the scrutiny that the brand was under, given some of the feedback that we were getting on food, even though when it was executed properly, it worked really, really well, and there was low margin of error, we felt like it was the right thing to do to just pause the initiative right now. We made the decision to go back to the prior processes. We retrained the team on all of that.

What I'm most optimistic about is that we can continue to improve the business model. We continue to look for ways to find efficiencies. We've learned a lot from rolling this out. We're reevaluating Phase 2. It's still in test in a couple of districts and really continuing to work with that. We've changed our in-store methodologies of testing, taking all of the learnings from this phase because more than ever, we have to remain committed to amazing food, great hospitality and that guest experience. And so anything that starts to compromise that we just -- we can't allow it, and that's why we rolled back.

Operator

The next question will come from Jake Bartlett with Truist Securities.

Jake Bartlett

Truist Securities, Inc., Research Division

Mine is a combination of some of the ones that have been asked before. But I'm wondering if you can try to disaggregate the macro pressures on sales versus the aftermath of the rebranding. And there's been a deceleration in the second quarter to date to negative 11% from negative 9%. Would you attribute that all to the macro -- incremental macro pressures? Or is it possible that maybe some of the macro pressures are even worse than that or maybe bigger headwind, but you're getting some recovery in terms of sentiment around -- post your rebranding. Trying to understand how the rebranding and trying to disaggregate the 2 forces at play, so we can understand maybe how you go forward.

Craig Pommells

Senior VP & CFO

Jake, it's Craig. I'll start. First, I'll take -- let's talk about the change for Cracker Barrel in Q2 versus Q1. Our traffic has been pretty consistently between a negative 10% and negative 11% over the last couple of months. In Q1, some of what we saw there are -- some of the reason the results were a little bit better, and it appears that they may have decelerated is because the drop-off in traffic wasn't instant. It happened gradually over a period of weeks that's one.

Also, some of the initiatives that we executed, for example, the Buy one, Get One and in particular, the All-You-Can-Eat Pancake, they were very, very short term in nature, but they did have a meaningful improvement for those short periods of time. They just weren't necessarily sustainable promotions. I don't know that we can necessarily break out the industry versus us, but you see all the industry results, and it's pretty clear that now relative to the summer, the industry has moved down.

Jake Bartlett

Truist Securities, Inc., Research Division

Got it. Okay. And then as we think about the path forward and how to rebuild sales, you've talked about, I think, materially reducing your advertising expense that usually would be moving in the opposite direction, I think you -- there's an offset there with more local marketing, more of the loyalty program. But I just want to get a better sense as to what the positive things you're doing to change the trajectory here?

And maybe within that, what is coming on the menu. A big part of the story for the last year has been some pretty positive menu innovation and good responses there. How confident are you in the pipeline of menu innovation and what's coming down the pike in the next 6 to 9 months. Anything else that you think is kind of something that you are doing that could really change the trajectory here?

Julie Masino

President, CEO & Director

Yes. Thanks, Jake. I'll start and then Craig can jump in. Again, we are doing -- I want to leave you with the fact that the focus of this organization is on food and the guest experience. We are very much focused, making sure that every single person who comes in has a great experience, their food is made the way they remember it, the way they wanted to taste and that they have hot food served by attentive servers with great hospitality. And that is the true focus of the organization in the way that we execute.

We are absolutely also focused on getting people into the stores to experience that. So when you think about how the whole machine works together, and the marketing work is a little bit more nuanced, if you will. As I mentioned, I think it was Todd's question. We have a brand reputation issue that we are working through, and that takes rebuilding trust one guest at a time, and that's going to take some time.

And that's why we're so focused on operations so that everybody who comes in has a great experience, and that will get that momentum all rolling in that direction. The toy promotion is a great way that we are showing our value, our uniqueness and getting people in to experience the brand. We did the military -- it's probably for next call, but the Veterans Day promotion for the free Sunrise Pancake special, we did that for the first time last year. We anniversaried that this year, even bigger turnout, guests really enjoyed that promotion.

And that's really why we launched the military discount ongoing. That has been something that -- we've gotten lots of requests for over the years, and we wanted to make sure that we get executed in a way that was sustainable, measurable and that we could really market it and impact it correctly, right? So we tucked it into the loyalty program. So we know who those guests are. We know what they're buying, we know when they're coming. We know how to actually communicate with them and use that discount to our advantage to drive traffic for the future.

So that's really why those 2 promotions have been launched literally in the last month. The other thing that's out there that we are working our way through is our meals for 2 program. We're really excited about this. It's an outstanding value. It tested well in our research around value and what guests need from us and the traffic driving ability for it. So it's 2 full entrees then your choice of a starter or a dessert, all for \$19.99, which is, again, a great, great value for our guests.

And you can still get in our loyalty program or your military discount and stack that on top of it. So we are really driving great value with these experiences at Cracker Barrel. Rewards continues to use the AI engine to drive traffic in so that people have those great experiences. And we, again, see those guests shopping on both sides of the business, especially during this important holiday time frame.

So we are very much working on driving people and to have those great experiences and then reinforcing our legacy messaging around where the brand that you know, that you love. We've recently launched -- I talked about it a little bit in my prepared remarks a platform called Our Country Friends, where we highlight a lot of our suppliers or people who worked for us for a while or just processes that we have, whether that's around how we design our holiday items or what we do in the Decor warehouse to our sourdough bread supplier, our pancake mix supplier, the people who make our hams that have been doing that for decades, to really, again, reinforce the great traditions that we have here at Cracker Barrel and how that ends up on your plate and in your experience with the brand.

I don't know, Craig, if there's anything you would add.

Craig Pommells
Senior VP & CFO

I think the only thing I would add to that I think Julie covered a lot there, there is actually quite a bit going on. We didn't talk as much about that externally in Q1. I guess given everything, but there was new news. We had the Breakfast Burger as we mentioned. There were a couple of bring-backs as well.

Julie Masino

President, CEO & Director

He did ask about the menu. Yes.

Craig Pommells

Senior VP & CFO

So those are all good. And we do have some promotions that we have slated for the early spring. We're not necessarily talking a lot about that now, and we have some new news as well. So there is news there. Jake, we're being -- we haven't seen some of these things in a sustainable way, really regain the momentum that we had before. So we're being careful with -- we're being careful with that, but we do have them. And underneath all of that, one of the things that we're really excited about is the gains that we're seeing in -- across a number of our service metrics, very significant gains that really accelerated through the quarter and have continued into the second quarter. So that gives us confidence in the midterm and the long term because those things do take a little bit longer.

Julie Masino

President, CEO & Director

Let me jump back in, sorry, Craig, you triggered that for me. I apologize, Jake, I didn't answer your menu question. There are quite a few things coming that we are excited about, passionate about. But specifically, there's been a lot of feedback through front porch feedback and some of our other channels on items that guests would like to see return to the menu.

I mentioned Eggs in the Basket and Hamburger Steak that will rejoin the menu in January. Uncle Herschel's joined the menu this October, which has been a great bring back. We brought back Turkey sausage, which people -- I've been hearing about this Turkey Sausage since I walked in the door. We had to find somebody to make it for us. That's why it took a bit of a minute to get it back on the menu. But we're going to continue to do what we're calling Bring Back and really highlight those for guests so that they can see some of their favorites return. And look, I think that's what we did well with Campfire. That was bring back in Q4 when we had such great traffic that quarter.

Craig mentioned, we do have innovation coming. The breakfast burger has been really well received. It's awesome. It's a burger with cheese and bacon and then our Hashbrown Casserole on top of it. And then an egg on top of it, I mean it is decadent, it's amazing. It's very Cracker Barrel though in a wonderful way. And we've got more innovation coming in the spring that feels -- I want to be really careful, innovation that feels very, very Cracker Barrel. Like what we've done with Pot Roast and Hashbrown Casserole, Shepherd's Pie, but it's newness to the menu that I know our guests will appreciate.

One of the things we're bringing back in spring is like -- is a bring back, but sort of in an innovation space. So it's something that used to be on the menu that guests have asked us to bring back, and so that's coming back as well. So again, really taking that feedback, that focus on food and continuing to bring forward a menu that we know our guests will crave.

Operator

The next question will come from Brian Mullan with Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Just a question on the retail business. Just any thoughts you could offer about the upcoming holiday season? How do you feel about the assortment, the team's ability to execute. And then maybe anything you could offer in terms of what we might be able to expect to see on retail gross margins here in fiscal 2Q? Just any puts and takes. That you could call out?

Julie Masino

President, CEO & Director

Brian, it's Julie. I'll start and then I'll let Craig jump in on the margin side of things. The team continues to execute the transformation of the retail business. We're looking at the assortment. We're looking at the shopping experience, making sure that people can get through. It could be a little tight in our stores, sometimes, especially when we're busy. So they continue to work those pieces of the plan. We're pleased with our ability to execute this holiday.

If you think back, this has been a really tumultuous year for retail with the tariff stuff at the beginning of the year and then the way that, that's manifested and the back and forth as the year has come to bear. I think the team has done a really nice job of absorbing the impact of tariffs, but also using that to make the assortment stronger. We specifically held putting our Christmas on the floor until a little bit later than we did the prior year.

The impact of that is that we actually have, I think, a better assortment right now on the floor. That's not as old, that's not a shopworn. And so we actually comparatively to kind of some of our competition, we have goods on the floor, which I think is a really nice place for us to be right now. We are in business with items at a great value price point. The team continues to do a nice job of making sure that we're bringing that value forward.

And then where we need to when we're watching items, like, for example, our Ornament business right now is on markdown because we were a little heavy on that side of things and also just getting to the price point that the guests really requires on that right now. But team has done a nice job responding. I think the assortment looks really good. guests are responding to the assortment. Inventory is a little bit heavier than where we were last year, but some of that is also the way that we brought in the goods given the tariff situation earlier in the year.

Craig Pommells

Senior VP & CFO

Brian, on margins, margins are being impacted in large part by tariffs. Our plan for tariffs all along was in the first year to address the dollar impact of tariffs. So we always expected that our percent margins would go down, and our work really focused on mitigating the dollar impact. And I think we had a lot of success with that. What we're seeing, I think, with maybe somewhat related, someone unrelated, there's also a mix shift that's happening where guests are kind of trading down in some ways in the retail space.

And then this is a general environment for retail, we're seeing a bit of a lower attach. That will kind of naturally result in a little bit more markdowns. But our expectation, even before our recent change was that our margins would be lower this year for -- the marginal rates would be lower, even though we would expect that we would have been neutral, relatively speaking, on a margin dollar perspective.

Brian Mullan

Piper Sandler & Co., Research Division

Okay. And then just a follow-up, a clarification on G&A. Can you give a sense of what you're assuming for either adjusted G&A dollars for the full year now? Or if not that, maybe just a good quarterly run rate to think about starting in fiscal 3Q after you're fully done with the restructuring actions?

Craig Pommells

Senior VP & CFO

I don't want to get too prescriptive on that one. What I would say is we have a \$20 million to \$25 million range on an annualized basis, and we expect to have that fully -- well, almost fully executed, almost fully executed by the end of Q2. So just that by itself would convert into an impact in Q3 and Q4. We did start some of that work, and we got some of the benefit into Q1 and we have some more in Q2. But the vast majority of that will occur in -- by the end of Q2.

Operator

The next question will come from Sara Senatore with Bank of America.

Isiah Austin

BofA Securities, Research Division

Isiah Austin on for Sarah. Just after everything that's been covered. Just a quick question. You guys noted earlier that your Google star rating is correlated with your traffic. Any idea of how far ahead you guys lead that or how to think about, I guess, the spread on that?

Craig Pommells*Senior VP & CFO*

It's Craig. I'll start. We have done a lot of work on the Google star rating, we're pleased with the improvements we're seeing there. The analysis approach that we use is a longer -- a bit of a longer tail. Just keep in mind, our typical guess comes in twice per year. So we look at this over about a year. So it's not like a light switch. It's something that happens more gradually. But bear in mind, the frequency of our guests.

Julie Masino*President, CEO & Director*

Yes. When we launched the metrics that matter about 2 years ago at this point in time, we looked at the things that were most highly correlated with same-store sales growth and Google star was at the top of that. So we've recently checked that correlation, given everything that's going on, and I can tell you that it is still valid. So we haven't given sort of your question of like what's the tail there and how much time for recovery.

Know that it is still correlated and we are still looking at it and it's one reason why we're driving it so hard. I'm really pleased with the improvements that Doug has made since stepping into his role 45 days ago.

Isiah Austin*BofA Securities, Research Division*

Very helpful. And then just as a follow-up question on the topic of just cutting -- like having corporate restructuring in order to address the current situation. Any idea on whether that could cause concern around long-term performance? Just kind of thinking about what specifically you guys are thinking of cutting in that restructuring?

Craig Pommells*Senior VP & CFO*

Yes, I'll start with that one, Isiah. What we're doing here is driving incredible focus. I mean we -- given the prior -- our highest priority is [indiscernible] and guest experience. So we have -- that's always been there. We have elevated that even more. And there are some other work streams that are value creating, but over a longer period of time that we have kind of pulled back on for now.

But in terms of regaining our momentum from where we are, we think we'll have the resources to do that, and we can make other decisions as it relates to G&A in the future. But we all -- another point is we also had previously committed to getting back to our historical G&A run rate. In some ways, what we're doing here is, we're accelerating some of those decisions.

Operator

The next question will come from Jon Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

Just a quick one for me. Craig, I was just wondering if you could remind us what the plans are for the debt that's coming due later this year?

Craig Pommells

Senior VP & CFO

John, the -- our plans are -- for the convertible that matures in June of 2026, our plans would be to pay that about the time that it matures by drawing down on the revolver. We repaid about half of that when we refinanced a few months ago. So we have about half of that original convert outstanding, and then we have the capacity on the revolver to cover that.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Julie Masino for any closing remarks.

Julie Masino*President, CEO & Director*

Thank you so much for joining us today. Although, we are facing headwinds, we are confident that the plan we are executing will drive improved performance and that we will regain our momentum. Finally, I want to express my sincere appreciation to our team members for their hard work and dedication. Thank you, and happy holidays.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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