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Cracker Barrel Old Country Store, Inc. (CBRL) Q3 2025 Earnings Call Transcript

Jun. 05, 2025 1:20 PM ET | **Cracker Barrel Old Country Store, Inc. (CBRL) Stock** | CBRL**SA Transcripts**

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Q3: 2025-06-05 Earnings Summary

Insights

EPS of \$0.58 **beats by \$0.37** | Revenue of \$821.15M (0.49% Y/Y) **misses by \$1.28M**

Cracker Barrel Old Country Store, Inc. (NASDAQ:[CBRL](#)) Q3 2025 Earnings Conference Call June 5, 2025 11:00 AM ET

Company Participants

Adam Hanan - Manager of Investor Relations

Craig A. Pommells - Senior VP & CFO

Julie Felss Masino - President, CEO & Director

Conference Call Participants

Brian Hugh Mullan - Piper Sandler & Co., Research Division

Jake Rowland Bartlett - Truist Securities, Inc., Research Division

Jeffrey Daniel Farmer - Gordon Haskett Research Advisors

Sara Harkavy Senatore - BofA Securities, Research Division

Todd Morrison Brooks - The Benchmark Company, LLC, Research Division

Operator

Good morning, everyone, and welcome to the Cracker Barrel Fiscal 2025 Third Quarter Conference Call. [Operator Instructions] Please also note today's event is being recorded.

At this time, I'd like to turn the floor over to Adam Hanan, Director of Investor Relations. Sir, please go ahead.

Adam Hanan

Thank you. Good morning, and welcome to Cracker Barrel's Third Quarter Fiscal 2025 Conference Call and Webcast. This morning, we issued a press release announcing our third quarter results. In this press release and on this call, we will refer to non-GAAP financial measures such as adjusted EBITDA for the third quarter ended May 2, 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 page of the press release include reconciliations from the non-GAAP information to the GAAP financials.

On the call with me this morning 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 furnish 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 Felss Masino

Good morning, and thank you for joining us. We were pleased with our third quarter performance, which included positive comparable store restaurant sales for the fourth consecutive quarter and adjusted EBITDA that exceeded our expectations. These results further underscore that our transformation plan is working. I'll do a quick recap of some Q3 highlights and then speak to the exciting ways our plan is coming together in Q4.

As these initiatives exemplify how we're evolving the brand by leaning into what makes Cracker Barrel great and doing so in a refined way that appeals to both existing and new guests alike. We're excited about our progress and our teams are energized. Looking back at Q3, the quarter started soft. So we took actions to support the top line and tightly manage our expenses without limiting our ability to deliver our important fourth quarter initiative. I'm proud of how the team responded to these challenges. Their agility, discipline and strong ability to manage the business helped deliver a solid quarter.

From a culinary perspective, our spring promotion featured 2 shrimp dishes, a bold Louisiana-style shrimp skillet and a comforting Shrimp n' Grits skillet. We also expanded our pancake platform by introducing innovative new flavors and options across various price points as part of our broader barbell strategy. From an operational perspective, we remain focused on strong execution and the metrics that matter. For example, compared to the prior year quarter, hourly turnover improved by approximately 14 percentage points, and our internal net sentiment scores increased 2.3%. During the quarter, we implemented Phase 1 of our back-of-house optimization initiative to the full system.

As a reminder, this phase is focused on process simplification to improve quality and profitability while also making jobs easier and more enjoyable. We've been pleased with the results and employee feedback has also been very positive as team members find the new processes easier to execute.

Let's talk about Q4. There's a lot going on that we are excited about. Our Q4 work demonstrates the complementary nature of our strategic pillars and provides compelling examples of how we're bringing our strategy to life. A big focus in recent months has been our brand refinement work, which will continue to gather steam in Q4 before officially launching in August. Brand refinement means evolving our brand across all touch points and creating deeper, more meaningful engagement with our guests. In addition to the updated look and feel that we've been incorporating into our advertising, we are showing up authentically in places where our existing and new guests are.

An example of this is our partnership with Speedway Motorsports and the success of the Cracker Barrel 400. The NASCAR races we sponsored this past Sunday, just down the road from our home office. There's strong overlap with Cracker Barrel guests and NASCAR fans, and our brands have much in common. Both are highly experiential and put country hospitality and people at the heart of everything we do. The Cracker Barrel 400 is more than a race. It marks the launch of a key partnership and throughout the summer, NASCAR fans can expect activations at Speedway Motorsports destinations across the country. The Cracker Barrel 400 was a big moment in and of itself, but it is also a piece of our overall strategy and integrated marketing campaign to promote the much anticipated return of Campfire meals.

We heard loud and clear from both guests and employees that they deeply missed these unique and delicious foil-wrapped meals that are packed with hearty proteins, seasoned vegetables and a rich broth. We brought them back for the first time since 2018 and made them even better. We've elevated the flavors, improved the quality and made them easier for the kitchen to execute.

In addition to the returning favorites of beef and chicken, we've added a new shrimp and endive sausage offering starting at the great value price point of \$10.99. To support Campfire, we've invested in advertising and our integrated marketing campaign also reflects our ongoing brand refinements, including a refreshed look and feel that showcases the quality and appeal of our delicious food.

We're also evolving how we show up in social media and are working with creators to tap into conversations as part of our efforts to connect authentically with our guests. Cracker Barrel Rewards is another way we're deepening our engagement with guests and driving frequency. To jump start the Campfire menu promotion and reward our loyalty members, we gave them early access to our new decadent smores brownie skillet, and we'll continue to give early access to provide value to our members.

We recently achieved our fiscal '25 year target of acquiring 8 million members and over 1/3 of track sales are now associated with loyalty members. Cracker Barrel Rewards continues to deliver incremental sales and traffic and looking ahead, we're focused on enhancing our personalization capabilities to further drive incrementality.

As a part of this, we've been testing advanced personalization for Cracker Barrel Rewards using an AI-driven learning model. We are encouraged by the results as it's driven a mid-single-digit lift in average revenue per member compared to control. We're also using AI in other ways as part of our broader efforts to improve efficiency and effectiveness by leveraging technology. Our traffic forecasting utilizes machine learning, which has improved accuracy at the store level and enhanced our ability to manage labor. Our entry filter for guest relations or kind of how triage inbound is powered by AI, which speeds up time to resolution and more quickly puts guests in touch with a live representative. And finally, we're using machine learning to bolster our cybersecurity.

These are just a few examples, and we continue to evaluate opportunities to incorporate AI-based technology into our toolkit to positively impact the business.

Before turning it over to Craig, I'd like to comment on the tariff situation. For context, approximately 1/3 of our retail products are sourced directly from vendors in China. In addition to this direct exposure, we also have indirect exposure related to product that we purchased through domestic vendors that is also sourced from China. Our approach to mitigate the tariff impacts include: first, aggressively negotiating with vendors; second, alternate sourcing; and third, pricing. As we have mentioned, we have been in the process of updating our retail strategy and we are also accelerating initiatives from this such as rationalizing SKUs, reducing the number of seasonal themes, adjusting our seasonal promotional strategy. All of these will also help mitigate the impact of tariffs.

The situation remains dynamic, and we intend to provide more specifics in September when we report Q4 earnings and share our fiscal year '26 guidance at which time we expect to have a higher degree of certainty on the net impacts related to tariffs and the timing of our mitigation efforts.

I want to wrap up my prepared remarks with a few key points. First, we acknowledge that there's a lot going on in the macroeconomic environment, but our teams are keenly focused on executing the business today while transforming for the future. Second, we're

leaning into what guests love about Cracker Barrel, and we're evolving to drive our business forward. Our Q4 initiatives are a great example of this, and there's much more to come. Third, guests are choosing us. and we've delivered 4 consecutive quarters of positive comparable store restaurant sales growth. Because of this momentum, we were able again to raise our guidance, and Q4 is off to a strong start. Finally, as a reminder, all of this work is anchored on our 3 business imperatives of driving relevancy, which is market share, delivering food and experiences guests love and growing profitability. We remain confident in our plan and our ability to execute and achieving these imperatives will drive significant long-term value creation.

I'll now turn it over to Craig to review our financials and provide our outlook.

Craig A. Pommells

Thank you, Julie, and good morning, everyone. We're now 3 quarters into our fiscal year, and we continue to make progress against our transformation plan. Although traffic started soft in February. We saw improving trends in March and into April, which also benefited from a strong Easter. Overall, our third quarter performance exceeded our expectations and allowed us to raise our annual guidance. For Q3, we reported total revenue of \$821.1 million, which was up 0.5% from the prior year quarter. Restaurant revenue increased 1.2% to \$679.3 million, and retail revenue decreased 2.7% to \$141.8 million.

Comparable store restaurant sales grew by 1%, while comparable store retail sales decreased by 3.8%. Pricing for the quarter was approximately 4.9%. Our quarterly pricing consisted of 1.5% carryforward pricing from fiscal 2024 and 3.4% new pricing from fiscal 2025. Off-premise sales were 19.1% of restaurant sales compared to 18.9% in the prior year.

Moving on to our third quarter expenses. Total cost of goods sold in the quarter was 30.1% of total revenue versus 30% in the prior year. Restaurant cost of goods sold was 26.2% of restaurant sales versus 25.9% in the prior year. This 30 basis point increase was primarily driven by menu mix and commodity inflation, partially offset by menu pricing. Commodity inflation was approximately 2.9% driven principally by higher beef, ag and food prices, partially offset by lower produce and poultry prices.

As we discussed on the last earnings call, although we are fully contracted on egg prices, one of our vendors lost capacity due to an avian influenza outbreak. And as a result, we have to purchase some eggs on the spot market during the quarter. However, egg prices moderate data, which reduced the overall cost impact. Retail cost of goods sold was 48.9% of retail sales versus 49% in the prior year. This 10 basis point decrease was primarily driven by higher vendor allowances, partially offset by higher markdowns. Our inventories at quarter end were \$168.7 million compared to \$175.3 million in the prior year. Labor and related expenses were 37.1% of revenue compared to 37.8% in the prior year.

This 70 basis point decrease was primarily driven by menu pricing and improved productivity, partially offset by wage inflation of approximately 1.9%. One of the drivers of our improved productivity was our back-of-house optimization initiative. We rolled this out early in the quarter, and we are pleased that we are achieving our savings targets. Other operating expenses were 25.3% of revenue compared to 24.5% in the prior year. This 80 basis point increase was primarily driven by higher advertising expense and higher depreciation.

General and administrative expenses were 5.6% of revenue compared to adjusted general and administrative expenses of 5.4% in the prior year. This 20 basis point increase was primarily driven by investments to support our strategic transformation initiative. Net interest expense was \$5 million compared to net interest expense of \$5.2 million in the prior year. This decrease was primarily the result of lower average interest rates, partially offset by higher debt levels. Our GAAP income taxes were a \$2.7 million credit flowing from GAAP earnings before taxes. Adjusted income taxes were a \$2.5 million credit. GAAP earnings per diluted share were \$0.56 and adjusted earnings per diluted share were \$0.58. Adjusted EBITDA was \$48.1 million or 5.9% of total revenue compared to \$47.9 million or 5.9% of total revenue in the prior year.

Now turning to capital allocation and our balance sheet. In the third quarter, we invested \$36.6 million in capital expenditures. We ended the quarter with \$489.4 million in total debt. As we disclosed in May, we updated our revolver and added additional debt capacity through a delayed draw term loan or DDTL. The combination of the new revolver and the DDTL increases our debt capacity to \$800 million compared to \$700 million under the previous revolver and provides flexibility to execute our plans, including the refinancing of our \$300 million convertible loan that matures in June of 2026. Lastly, as announced in today's press release, the Board declared a quarterly dividend of \$0.25 per share, payable on August 13, 2025, to shareholders of record on July 18, 2025.

Now moving to our outlook. As we move into the final quarter of the first year of our transformation plan, we are pleased with the progress that we're making as evidenced by our results, and we're encouraged by the strong start to Q4, driven by our Campfire promotion. Additionally, our teams have done an excellent job of working to mitigate the impact of tariffs. We anticipate the net tariff impact to Q4 EBITDA will be approximately \$5 million. And as Julie stated, we will have more to share in September on the impact for fiscal 2026.

Turning to our guidance for fiscal 2025. We expect the following: Total revenue of \$3.45 billion to \$3.5 billion, pricing of approximately 5%, commodity inflation in the mid-2% range and hourly wage inflation in the mid-2% range. We increased our EBITDA outlook and now anticipate full year adjusted EBITDA of approximately \$215 million to \$225 million, which includes the previously mentioned \$5 million tariff impact. We expect a full year GAAP effective tax rate of negative 17% to negative 11% and an adjusted effective tax rate of negative 6% to 0%. Lastly, we anticipate capital expenditures of approximately \$160 million to \$170 million.

In closing, we continue to make great progress, we remain confident in our plans and are focused on delivering a strong finish to fiscal 2025 to set us up for an important fiscal 2026. With that, I'll now turn the call over to the operator for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question today comes from Jeff Farmer from Gordon Haskett.

Jeffrey Daniel Farmer

You guys noted that Q4 is off to a strong start, but what does that mean in the context of the plus 1% restaurant same-store sales number that you reported in Q3?

Craig A. Pommells

Jeff, I can start from that one. And yes, we're definitely seeing improving trends as we have kind of went through Q3 and into Q4. Our third quarter, as we noted on the last call, February started out a bit challenged as a result of both weather and some consumer uncertainty, then we saw improvements into March and into April. And then we're particularly pleased that, that improvement continued further into Q4. So we're not giving an exact number other than to say that we're pleased with the Campfire promotion and it's resonating with guests.

Jeffrey Daniel Farmer

Okay. And then just a quick follow-up. Again, I think you mentioned tightly managing expenses in Q3. Can you just provide a little bit more detail on what you're doing there on the expense side?

Craig A. Pommells

Absolutely. I'll take that one as well. Yes. So given that Q3 started out challenged in February in particular, we timed expenses in a number of areas, particularly around G&A. There were some discretionary items in terms of projects that we were able to adjust and generally, in discretionary areas reduced our expense. So as we think about G&A, we would expect that our G&A level in Q4 will more closely resemble the G&A level that we had in Q1 and Q2.

But that also includes -- this Q4 number will also include some of the shifting that we did with projects out of Q3. So some G&A tightening in Q3 and Q4, inclusive of all of that will be more in line with Q1 and Q2.

Operator

Our next question comes from Todd Brooks from The Benchmark Company.

Todd Morrison Brooks

Just following up on Jeff's last question, Craig, as you start to think about -- you gave us a framework for Q4 G&A, but there's also some catch-up in there. So how do we think about as we're looking to the out-year G&A as a percent of sales relative to the levels that you will see in Q4 that you saw in the first half of this year?

Craig A. Pommells

Todd, I think we all need to -- we'll give some more color on that into -- on the September call. I mean keep in mind, we've shared before that fiscal is an investment year. And our intention is, as we work through the transformation plan, that G&A will return -- as a percent of sales will return to closer to its historical levels, and we'll give some more color on that in September.

Todd Morrison Brooks

Okay. Great. And then 2 questions on pricing. Can you share -- you gave us what the pricing was in fiscal Q3, but can you tell us what average check was or maybe size what mix benefit or drag may have been in the quarter? And then the second question on pricing.

I think you talked about using 5% now in the fiscal fourth quarter. I think prior, you were talking about 4%. Is that reflective of an element of pricing that needed to be taken to help offset the \$5 million in tariff pressure?

Craig A. Pommells

Todd, I'll start with the second part first. Really, our pricing guidance is -- we're providing annual guidance in that regard, and it's essentially unchanged from what we said before, which is approximately 5%. And then in terms of the overall check dynamic, the check was up 6.6% for quarter. That includes 4.9% of pricing, 1.7% of mix. So a couple of encouraging things there. On past calls, we've talked a lot about the barbell pricing strategy and just kind of the data-driven approach to pricing.

And so we're really pleased that we're able to continue to see our prices flow through and also continue to deliver that positive mix, which really benefits from a lot of the items that were added to the top of the barbell. We have the steak in shrimp entree and the pot roast and the Hashbrown Casserole and Shepherd's pie. So those items have really worked hard for us. And the flow-through of the price also continues to demonstrate that the pricing strategy continues to work well for us.

Todd Morrison Brooks

And one follow-up and then I'll jump back in queue. You talked about the success of Campfire across quarter-to-date. If we're thinking about the mix impact of Campfire, if it's performing very strongly, would you -- are you anticipating as a strong of a mix result in the fourth quarter? Or how should we be thinking about mix?

Craig A. Pommells

I think as we move into Q4, we're going to start the comp on more favorable mix from the prior year. So we would expect that our mix contribution will moderate some as we move into Q4, in part, is a function of what we're comping on.

Operator

Our next question comes from Jake Bartlett from Truist Securities.

Jake Rowland Bartlett

My first was on guidance. And Craig, I'm wondering, you raised your EBITDA guidance, but kept your sales guidance as you mentioned, an incremental \$5 million headwind from tariffs. So what are the -- what has changed? Or what are the drivers of the improved outlook for margins versus the sustained outlook for sales?

Craig A. Pommells

Yes. We continue to -- we're pleased on a number of fronts. We talked a little bit about the menu mix and the benefits of that. We continue to be pleased with the gains that we're seeing on labor. As an example, we have -- the labor wage inflation is benefiting from some of the improvements that we have made across the business, things like turnover, the back-of-house initiative, rolled out in the third quarter. But embedded in that where we had some training costs and so on. So as we move into Q4, we'll get more of a full benefit from that into Q4. So a number of the really, a lot of the initiatives that we've been working on over the year are kind of starting to come to life in Q4. And so we're excited about the progress there in spite of kind of a bit of a challenging backdrop, we think we're making good progress.

Jake Rowland Bartlett

Okay. So it sounds like you're getting more labor leverage or some of those initiatives is offsetting the pressure you're expecting from the tariffs?

Craig A. Pommells

Yes, there are a lot of moving pieces there. The tariffs is a \$5 million headwind for sure. But again, and the tariffs we didn't plan for at the beginning of the year, it's relatively -- we've been working on it here for quite a few months, and the team has done a great job

with that. But we also have a little bit of favorability in Q4 versus our prior thinking related to eggs. So that's a little bit of a partial offset to some of the headwinds from tariffs.

But I think the underlying kind of structural improvement kind of goes along with what Julie has been talking about here as a part of the transformation plan, which is year 1 is a test and learn investment year. And we are bringing out to life now a lot of the things that we've been testing and learning and invested in. And so you're starting to see the benefit of the broader strategic work come to life. In particular, as it relates to labor in this case.

Jake Rowland Bartlett

Okay. And then my another question on the tariffs, the \$5 million impact that you're seeing. Given your turnover of inventory, I guess I would have expected the real impact to start a little bit later and so not actually to hit much of the fourth quarter. So how do we think of that \$5 million impact? Is that directly or is -- are your costs fully impacted by tariffs at this point in the fourth quarter? What are the mitigating -- you've talked about mitigating efforts. What are they? Are there any in place in the fourth quarter? For instance, are you increasing retail prices to help offset the tariffs? Are you shifting away from the China supply? What are you doing in the fourth quarter? And should we think of -- is it fair to think of that \$5 million is a good run rate as we think about '26, so \$20 million for the year? Or is it just way too early to tell at this point?

Julie Felss Masino

Jake, I'll start and then I'll let Craig jump in because I'm sure I won't get all of that. It's an excellent question, right? So let me back up a little bit, right? The teams have been thinking about tariffs for months, right? This is a topic on the campaign trail and frankly, we have been working on a similar transformation for the retail business that we've been doing on the restaurant side.

So really relooking at the strategy there, what are the pieces of the business that require a little bit of reinvention and what will that look like? And so thinking about that strategy and where we're going, there have been a couple of key things that the tariff situation have actually enabled us to accelerate. One of the key tenets of what we're looking at from a retail strategy is the number of SKUs that we have, the number of themes that we have and the timing of when they hit the floor. We've been known to put Christmas and Halloween out quite early. And so we're readjusting some of that timing to really be more in time with where consumer need state and demand is.

And so we've got a lot of moving pieces while this tariff thing is coming in. So the teams have been really working for a while now on rationalizing SKUs, thinking about those themes, thinking about the timing and moving all of those pieces. Now specifically against the way tariffs are at the moment. And remember, 90 days ago when we were sitting here, it looks really different than where we're sitting today and time continues to be a very big factor in all of this. But we actually have to keep going because we have a business to run.

So the teams are really working with vendors. Our vendor partners have been tremendous through this exercise. We've been able to negotiate with them. They are negotiating with their factories. We've been alternate sourcing for a while. Are there different parts of the world where some of these goods can come from. And then as the last lever and look, pricing is an option. But we're being very thoughtful about pricing because this business is so discretionary. And we know from work that we've done around the transformation that value is important in this business just like it is in our restaurant business.

So we'll have more to share about how to think about '26 in tariffs in September because we'll present our annual guidance, and Jake, it will go like a couple of clicks deeper on it at that point in time but know that the teams are really working as we push our strategy forward to absorb this tariff situation and continue to just check and adjust against it.

I'm actually very pleased about how we've been able to absorb the impact so far here in fiscal '25 and what that looks like as we move forward. I don't know, Craig, if there's anything you'll add.

Craig A. Pommells

No, I think that's right. The team is doing a good job and it's dynamic, and they continue to adjust. And maybe one thing to just consider is there's an average inventory turn in there, but there are some things that are turning faster and some things are a little bit longer. And then there are decisions that we're making now that are kind of in anticipation of the tariff impact in the future. So I -- the big takeaway for us is while that's out there, the team has been working on this for months they've made great progress, and we anticipate even more progress.

Operator

Our next question comes from Brian Mullan from Piper Sandler.

Brian Hugh Mullan

Question back to Phase 1 of the back-of-the-house optimization initiative. Just understanding the benefits are probably only just starting now in fiscal Q4. Can you just talk about or help us understand, do you anticipate a permanent reduction in labor hours in the back of the house as a result of this phase? And do those fall to the bottom line? Or do those get maybe reinvested into another area of the business? And then related to that, I think there's a Phase 2 and then a Phase 3 that we will see over the next couple of years. Can you remind us what those phases are related to and when you transition into the second phase?

Julie Felss Masino

Sure. Brian, I'll start, and then I'll let Craig handle a couple of the specifics there on the movement of the savings. The goal, remember, of this entire work stream is to improve the quality of our food because we're mainly a restaurant business and make sure that we're always serving our delicious scratch-made food, but making it easier for the teams to do that consistently and making the job more enjoyable. We've got a lot of processes in the back of house that haven't changed a lot in a long time. And so that's really the genesis of this work.

As we got into it as part of the transformation agenda, we've broken this work into 3 phases. So this first phase that we launched in Q3. And so you're right to think that not all of the benefit is there, and I'll let Craig talk about that in a moment. The first phase is really focused on some of those processes and changing the way that we actually make the food to improve the quality and make the jobs easier. So that's kind of Phase 1. Phase 2 is about how do we take that even further by bringing in some ingredients that are already like pre-chopped and presliced and things like that because today, we do all of that by hand or most of it by hand.

And then Phase 3 is, gosh, equipment has changed so much in the last few decades. Are there equipment solutions that would also make it easier for our cooks and our prep cooks to do their work easier. So those 3 phases will phase out over the remaining years of the transformation. This Phase 1, I'll let Craig talk about how it's flowing through, but we're real pleased so far with the early days of this.

Craig A. Pommells

Yes. I'll take the second part of that. We do expect the back-of-house initiative to flow through. Again, we didn't get the full benefit of that in Q3 because there were some learning curve, training and so on. We do expect more of a benefit in Q4 and into '26. We've talked and Julie just talked a lot about '25 being an investment year and a test and learn year. So we do expect to get the benefit of this initiative on a more of a run rate basis as we finish up Q4 and into fiscal '26. And it's really a part of that broader \$50 million to \$60 million cost save that we've talked about.

Now as we go into back of house Phase 2, we'll see -- we expect to see some overall benefit to our total prime cost but you might end up with a little bit of shift in between buckets there. But a part of the plan here is to, in a more permanent way improve the ease of operating the back of house and the consistency and the quality as well as the cost in a permanent structural way.

Brian Hugh Mullan

That's great color. And then I just want to ask about remodeling initiative. You've called fiscal '25 a test and learn year. So can you just talk about what you've learned thus far this year in terms of the different approaches you've taken with some of the projects and if you'd be willing to talk about your plans for fiscal '26 or how you're thinking about it in a number of stores or maybe CapEx?

Julie Felss Masino

It's never a call until somebody asked us about remodels. I -- so thanks for the question, Brian. As we've discussed, this has really been a year of testing and learning. And so we are saving kind of this topic for September. So we will talk a lot about it in September, really what we've learned in this year and what we continue to learn because honestly, we're not done learning. We are really continuing to transform the organization to be one that's more agile and really to just continuously learn and improve as we go forward. We launched a new version of a remodel.

Remember, we've got 20 remodels and 20 refreshes that as of right now are complete in the system. And we continue to be really pleased with what we're learning there, the impact that it's having on the system, employees have given us great feedback about working in those newly remodeled and refreshed stores and guests continue to tell us that they're lighter, brighter more welcoming and they're enjoying them as well.

So -- but at the end of April, we launched a new version of a remodel as well. And so it's early, early days of that. we're very pleased with the early results of that. We've taken retail into a different way in this remodel as well. So there's just a lot to learn. And as you can imagine, it's only been 30 days. So that's really why we want to wait and have the conversation in September. We'll talk about how it's informing our '26 and beyond plan and really what we've learned to date as we continue to learn on this topic.

Operator

Our next question comes from Sara Senatore from Bank of America.

Sara Harkavy Senatore

I wanted to go back to the sort of traffic trends. I know that you had said that they started off soft in February and then improved. But I guess as you think about all these initiatives, you said consumers or customers are choosing Cracker Barrel, but the traffic is still pretty negative. So I guess maybe you could help me understand, is this kind of a process where there are certain kinds of transactions that you're intentionally perhaps losing? And then in lieu of that, you're getting perhaps some more profitable transactions at the higher end of the barbell.

And then with respect to the -- any kind of color on the trends across demographic groups. I know last quarter, you had said you're actually seeing some better performance among 55 and up consumers. So does that continue? And does that say anything about kind of the efficacy of some of the traffic-driving initiatives?

Craig A. Pommells

Sara, it's Craig. I'll start and I think Julie and I will share this one. And the -- I think the thing I would keep in mind on the traffic for the quarter is there are pretty sizable differences in terms of, let's say, February versus April. And so I would just keep that in mind. February was particularly challenged, the weather was tough, the macro uncertainty. There was a lot of news that was elevated, but we've been pleased with the progress throughout the quarter, and we've been pleased with the way that the fourth quarter has started. So we -- the work that we're doing here is really about bringing Cracker Barrel back to profitable growth, and that includes traffic.

And we think even though the overall quarter was challenged from a traffic perspective, we think the underlying trend is something that we're happy with. In terms of the demographic trends, I would say it was pretty steady. There wasn't a big standout across the entire quarter. Our over 55 cohorts performed similarly to our under 55 cohorts, our over \$60,000 income cohort performed similarly to our under \$60,000. I think the takeaway for us on the quarter is more about how the quarter developed and how the fourth quarter has started.

Julie Felss Masino

No, I think that's right. I think remember, we said this is an investment year, and this is a 3-year plan. And it's not going to be a straight line. There's going to be some bumps along the way, some of which you can anticipate, some of which you can't. I don't think anybody thought the macros would do what they did in February. I don't think anybody thought the weather would be as bad as it was on top of that. So I'm real pleased with how we have actually managed through this quarter, given some of those real strong [indiscernible] at the beginning of the quarter.

And then to Craig's point, I think, Sara, we continue to be very optimistic and confident in the long-term trends that we're seeing underneath the business. So I think Q3 is a little bit of a speed bump in kind of what's been a good year for us so far in terms of changing those trends and bending the curves that we need to bend to keep this transformation on track to take the brand work needs to go long term.

Operator

Ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to Julie Masino for closing remarks.

Julie Felss Masino

Thank you. I want to start with a huge thank you to the teams and our 658 stores who bring the Cracker Barrel Country hospitality to life every day for our guests. The executive team, the Board and I really appreciate your smiles and hard work and what was, I know, a difficult quarter. And to everyone else on the call today, thank you for joining us today. Our plan is working, and we are excited about what's ahead. We appreciate your interest in the brand, and we look forward to giving you our next update in September.

Operator

Ladies and gentlemen, that does conclude today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.

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