

Cracker Barrel Old Country Store, Inc. (CBRL) Q3 2026 Earnings Call Transcript

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Q3: 2026-06-09 Earnings Summary

Insights



EPS of \$0.29 **beats by \$0.77** | Revenue of \$797.37M (-2.90% Y/Y) **beats by \$20.67M**

Cracker Barrel Old Country Store, Inc. ([CBRL](#)) Q3 2026 Earnings Call June 9, 2026 5:00 PM EDT

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

Jon Tower - Citigroup Inc., Research Division

Paul Hsiao

Presentation

Operator

Good day, and welcome to the Cracker Barrel Fiscal 2026 Third 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 Third Quarter Fiscal 2026 Conference Call and Webcast. This afternoon, 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 1, 2026. 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 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. Q3 results exceeded our expectations. Sales were \$797 million and adjusted EBITDA came in at \$40 million. This performance was driven by strong cost management across the P&L as well as improved traffic and check. Our dedicated teams have positioned us for success and they continue to execute at a high level. They are key to implementing our strategic initiatives, which are grouped into 3 areas: improved operations, deeper connections with guests through our menu, marketing, and value proposition and increased profitability. I'll now discuss each one.

First, operationally, we remain focused on consistent execution and delivering an exceptional guest experience. This resulted in strong improvements across important guest metrics for the third consecutive quarter. Year-over-year, our Google star rating increased 4%, reaching its highest quarterly score since 2018. While our food taste and service scores rose 5% and food temperature scores increased 7%.

Managerial turnover improved by 6%, outperforming the industry, and we continue to see positive trends in hourly turnover. We are pleased with the favorable trends in these metrics, which are important leading indicators and are confident these gains will translate into improved traffic over time.

Turning to our menu. Our multipronged strategy combines bringing back guest favorites, introducing new offerings, enhancing quality and leaning into value. We are incorporating these elements into each of our seasonal menus in an effort to improve guest satisfaction and drive traffic. Our spring menu featured the return of our Sugar Cured and Country Ham dinners to the core menu and our very popular Carrot Cake as an LTO.

We also introduced our Garden and Farm House Scrambles to address a menu gap and respond to a long-standing guest request. Additionally, our spring menu featured our new Smoky Southern Salmon, which provided a more premium, lighter fish option. Our summer menu is centered on our Campfire promotion. As a reminder, last year marked the return of the Campfire platform, one of our strongest nostalgia anchors and a clear celebration of Americana, travel and gathering. This year, we made enhancements to our Campfire chicken and beef offerings to improve flavor and consistency.

We also extended the platform into the morning daypart with a new Campfire Breakfast Skillet. This hearty meal consists of bacon, smoked sausage, roasted peppers, onions and cheese, served over 3 eggs with crispy Campfire seasoned potatoes.

Value is incredibly important in today's environment. For Cracker Barrel, it's not a response to the moment. It's part of who we are, delivering meaningful abundance and everyday value for our guests. Our value remains strong as evidenced by the fact that our Q3 value scores increased 5% year-over-year. There are a number of reasons we are confident that our proposition will continue to resonate.

First, our absolute check remains well below the industry. In Q3, our average check was \$15.85 and compared to over \$27 in casual dining and over \$19 in family dining, underscoring our lower prices versus competitors. In fact, guests can order add-ons with us and their check will still be lower than an entree at many of our peers. In addition to lower relative prices, our overall value proposition is strengthened by the high-quality ingredients, delicious food and genuine hospitality we are known for.

Second, we've maintained a strong everyday foundation, further enhanced through our barbell pricing strategy that includes compelling entree price points, such as our Sunrise Pancake special for \$7.99 and Early Dinner Deals starting at \$8.99.

Third, we've implemented targeted menu changes to reinforce our value proposition and expand guest choice while also building margin. This includes bundled shareable duos and trios as well as options for guests to upgrade to 3 sides or add an extra breakfast protein to select entrees for a modest surcharge.

Transitioning to loyalty. Cracker Barrel Rewards remains a meaningful traffic and value driver for the business. The program has grown to nearly 12 million members with continued strong engagement. In Q3, member tracked sales remained above 40%. We saw strong retention among our most valuable loyalty guests that was consistent with historical norms. Overall, loyalty member visits increased year-over-year, reinforcing the program's role as an important traffic tailwind.

Beyond points and rewards, we are using the loyalty platform to create more meaningful reasons for guests to engage with the brand. A good example of this is our Fuel Your Summer Road Trip sweepstakes. As part of the sweepstakes, which launched May 19 and will run through July 26, loyalty members who purchased an entree will have a chance to win Cracker Barrel and fuel gift cards.

Each week, 25 winners will receive a \$500 Cracker Barrel gift card and a \$500 gas card with \$250,000 in total prizes awarded. These loyalty exclusive engagement opportunities are expected to support member acquisition and encourage repeat visits while reinforcing Cracker Barrel's role as a trusted destination for gathering, comfort and hospitality during the summer travel season.

From a marketing perspective, our guest connection strategy remains centered on food, value and Cracker Barrel's distinct heritage. We continue to leverage key partnerships and cultural moments to deepen emotional connection, expand reach and drive visitation. For example, our partnership with Speedway Motorsports continues to be an important platform and we're using it along with our broader summer marketing efforts to generate excitement around Campfire and drive traffic.

Building on last year's successful partnership, we've expanded this year's program through broader national awareness, deeper local store engagement in key race markets and enhanced on-site activations across the season. This year, Cracker Barrel Fan Zones will be present at every Speedway Motorsports race, giving us a larger physical presence with fans and extending the brand beyond the track itself.

We were especially proud to have once again served as the title sponsor of the Cracker Barrel 400. This year's sold-out race on May 31 was action-packed and included 31 lead changes among 15 different drivers with Denny Hamlin ultimately winning in an exciting finish.

Moving to retail. This business continues to gain momentum under the leadership of Heather Hager, who joined us in September 2024 and was promoted as Senior Vice President this past February. We are pleased with the improvement in our retail performance and are seeing good results from key initiatives such as SKU rationalization, optimized markdowns and improved merchandising.

In fact, retail comps outperformed restaurant comps for the first time in over 4 years. Additionally, we saw year-over-year improvements in important metrics such as units per transaction and average unit retail. Most importantly, our product is resonating with our guests. I'll provide a few examples.

First, the toys category has been a particular strength, in part, because we successfully capitalized on social media-driven trends related to sensory play and fidget toys.

Second, our salt and pepper shakers remain a hit. These unique collectibles are an incredible value as well as a great expression of the brand.

And third, our American heritage team remains a beloved summer assortment, full of merchandise proudly celebrating America and patriotism. This year, we're featuring merchandise commemorating America's 250th birthday, and the guest response has been strong.

Our last strategic initiative is improving profitability. Our teams from the operators at our stores to team members at the support center, done an outstanding job of managing costs. As a reminder, we executed a corporate restructuring completed in Q2 that is expected to deliver \$20 million to \$25 million in annualized G&A savings. We also reduced our advertising expense in the second half of the year compared to the prior year. Collectively, these efforts and cost saving actions were a significant driver of our Q3 adjusted EBITDA results, and we will continue to diligently manage our expenses going forward.

As our team continues to execute our strategic initiatives to improve operations, make deeper connections with guests and increased profitability, we are also taking other steps to advance the business and position us for the future, particularly through the use of technology. I'll provide a couple of examples.

First, in the coming weeks, we are upgrading our website to create a more frictionless and intuitive digital journey. The new platform will better support online ordering, rewards and targeted content. Importantly, this also serves as the foundation for expanding personalization across more channels over time, allowing us to deliver more effective messaging and reasons to visit wherever guests are engaging with Cracker Barrel. We're excited about these enhancements, which will improve the guest experience while simultaneously driving our off-premise business, which, as a reminder, accounts for approximately 20% of restaurant sales.

Second, we're using AI across the company to enhance our team's capabilities and to support the guest experience. We've deployed enterprise-wide tools, built foundational data infrastructure and established governance to ensure responsible use in scaling.

In building these capabilities, we're also investing in our people, upskilling teams and ensuring leadership adoption. We are leveraging AI as a force multiplier that allows us to be more productive while making our team's jobs more efficient.

For example, our machine learning traffic forecasting model has improved our projection accuracy, which supports better labor deployment and execution. Additionally, we are using AI and guest relations to more efficiently resolve tickets and where appropriate, to more quickly connect guests with live support.

Finally, as part of our focus on the guest experience, we developed an internal agent that can quickly mine data across all guest feedback channels and provide actionable insights.

In closing, we are executing at a high level and gaining traction across the business, as evidenced by our Q3 results. We are focused on sustaining this momentum over the coming quarters.

I'll now turn it over to Craig to walk through the financials.

Craig Pommells

Senior VP & CFO

Thank you, Julie, and good afternoon, everyone. Before reviewing the results, I'd like to build on Julie's remarks and thank our teams. I'm proud of their work and their progress as reflected in the improvements in our key guest metrics, expense management and overall financial results.

Now turning to the third quarter's results. Total revenue was \$797.4 million. Restaurant revenue was \$658.4 million. Comparable store restaurant sales decreased 2.6%, which included a traffic decline of 6.7%. Although traffic remained negative, we are encouraged by the gradual improvement in the underlying traffic trend.

The restaurant average check increased 4.3% and including pricing of 4.4%. Menu mix was slightly negative but improved from the first half of the year, driven by the many changes Julie mentioned. Off-premise sales were 19.6% of restaurant sales, an increase of approximately 50 basis points compared to the prior year, driven by growth in catering and third-party delivery. Retail revenue was \$139 million. Comparable store retail sales decreased 1.8%, driven by lower traffic, partially offset by increases in average unit retail and units per transaction.

Turning to the quarterly expenses. Total cost of goods sold in the quarter was 30.2% of total revenue versus 30.1% in the prior year. Restaurant cost of goods sold was 26.1% of restaurant sales versus 26.2% in the prior year. This 10 basis point decrease was primarily driven by menu pricing, partially offset by commodity inflation. Commodity inflation was approximately 2.5%, driven principally by higher beef, pork, produce and seafood prices, partially offset by lower egg and dairy prices.

Retail cost of goods sold was 49.8% of retail sales versus 48.9% in the prior year. This 90 basis point increase was primarily driven by higher tariffs partially offset by pricing. Quarter-end inventories were \$179.9 million compared to \$168.7 million in the prior year. Although, inventories are modestly higher, we are comfortable with the level and believe we are well positioned with clean inventories.

Labor and related expenses were 37.9% of revenue compared to 37.1% in the prior year. This 80 basis point increase was primarily driven by sales deleverage. Wage inflation was approximately 2%. Other operating expenses were 24.9% of revenue compared to 25.3% in the prior year. This 40 basis point decrease was primarily driven by lower advertising expense and lower supplies expense, partially offset by higher utilities expense.

General and administrative expenses were 6.2% of revenue compared to 5.6% in the prior year. This 60 basis point increase was primarily driven by the following items, which totaled approximately \$6.8 million. First, \$2.9 million in higher incentive compensation expense, driven by a year-to-date true-up based on higher expectations for the year. Second, \$2.8 million in higher professional fees driven by legal expenses. And third, \$1.1 million in employee separation costs.

During the quarter, we received \$47.4 million in cash proceeds from a settlement agreement resolve an interchange fee litigation. This amount was recorded in the litigation settlement income line on the P&L. It is included in our GAAP results but excluded from the calculation of reported adjusted EBITDA to enhance comparability across periods.

Net interest expense was \$3.7 million compared to \$5 million in the prior year. This decrease was primarily the result of a lower revolver balance and a higher convertible debt balance. GAAP income taxes were \$7.7 million, including the tax impact of the interchange fee litigation income.

Adjusted income taxes were a \$3.5 million credit. GAAP earnings per diluted share were \$1.90 and adjusted earnings per diluted share were \$0.29. Adjusted EBITDA was \$40.3 million or 5.1% of total revenue compared to \$48.1 million or 5.9% of total revenue in the prior year.

In summary, Q3 results exceeded our expectations, driven by our operating and cost actions, while guest-facing metrics continue to improve, and position us for further traffic recovery.

Now turning to capital allocation and the balance sheet. We continue to diligently manage the company's capital resources. Capital expenditures are lower relative to recent years. Investments remain focused on core business operations while maintaining modest debt levels. The \$47.4 million litigation settlement further bolstered the balance sheet, and we continue to have ample access to liquidity, ending the quarter with \$541.3 million in available capacity.

The quarter ended with \$486.6 million in debt, which was approximately \$3 million below the prior year. The current debt is comprised entirely of the 2 convertible debt notes with the revolver undrawn at quarter end. As a result, the consolidated senior debt to adjusted EBITDA ratio was 0. The consolidated total debt leverage ratio was 2.4 including the \$47.4 million litigation settlement. Capital expenditures in the third quarter were \$27.1 million.

Turning to the fiscal '26 outlook. I want to remind everyone that in Q4, we are lapping a stronger quarter in the prior year, and this more difficult comparison impacts our year-over-year expected comp store traffic and sales results. That said, controlling for the variability between last year's third and fourth quarters and the resulting comparison in the current year, the underlying traffic trend continues to show gradual improvement.

Regarding tariff refunds, we filed a claim for approximately \$17 million. To date, we have received approximately \$5 million, all of which was received in Q4. We expect to reinvest nearly all of this during the quarter. I want to point out that our guidance does not contemplate any additional refunds, given the uncertainty regarding the remaining amount applied for, but not yet received.

Now moving to the guidance. As outlined in the press release, we anticipate the following for fiscal 2026. Total revenue of \$3.27 billion to \$3.3 billion. Pricing in the low 4% range, commodity inflation in the low 2% range. Hourly wage inflation in the low 2% range. Taking all the above into account, we are increasing our full year adjusted EBITDA guidance to between \$120 million and \$125 million. Finally, capital expenditures are expected to be between \$105 million and \$115 million, the majority of which relates to maintenance.

I'll now turn it over to the operator for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]. The first question comes from Todd Brooks with the Benchmark Company. Please go ahead.

Todd Brooks

The Benchmark Company, LLC, Research Division

Congrats on a really strong quarter, well done. I was wondering if we could talk, the full year guidance for revenue, Q3 beat by about \$20 million, you're raising the ranges on revenue guidance by \$30 million, which implies a guide up to expectations for Q4. Can you walk through what's giving you the confidence? You just talked about tougher comparisons year-over-year. And I didn't hear anything in the comments to date around higher prices at the pump. And reliance on summer driving season and travel by car. So if we could kind of weave all that together into a commentary about why the constructive nature to the Q4 guide?

Craig Pommells

Senior VP & CFO

Todd, thank you. Sure. You did cover a lot there with that question. Well, number one, we're obviously pleased with the improving trend that we saw in the third quarter, underpinning all of that is this kind of gradual improvement in the underlying traffic trend.

As you noted, Q4 does have a more challenging comparison relative to the prior year than did Q3, Q4 last year was one of the best fourth quarters we had in a while. But again, the underlying trend is improving. And at this point, we are over a month into the quarter.

In terms of gas prices, gas prices are obviously an input into discretionary income, discretionary income is important as it relates to the restaurant industry, and it does impact us as well. So that is potentially a bit of a headwind. But again, for us, we're continuing to execute really well. We're continuing to get better and better. And as a result of that, again, we're seeing that improvement in the underlying trend. So we're feeling good about that.

There's clearly -- I think implied in your question, there is a little bit of what's going on with the consumer and the pressure with the consumer. And certainly, we've all read about that. We're seeing that as well, particularly with the lower income consumer. But again, as Julie mentioned, if you think about our check average \$15.85 relative to casual dining at \$27, family dining at \$19, we are a really good value. And then we also have the barbell pricing strategy as it relates to really sharp entree price points and then some more premium offerings as well. So underpinning Q4, it is a tougher comparison. But again, we do have that gradual improvement trend that's supporting it as well.

Todd Brooks

The Benchmark Company, LLC, Research Division

That's great. Craig. And my follow-up, you talked about pressured consumer, especially as we get down the income scale. The retail performance, though, was dynamic in this past quarter. And I guess, the thought would be that people could preserve the visit to the restaurant, but maybe you don't attach retail in the same fashion.

Julie, you highlighted a couple of categories that are working really well. But overall, are you surprised by the sturdiness that you're seeing in the retail business, given where the consumer is? And as you look forward, as we start to get holiday on the radar here. Any changes in kind of the SKU rat or anything like that, that we should be thinking about as we get to the holiday season?

Julie Masino

President, CEO & Director

Yes. Thanks, Todd. And I appreciate the question because we were really, really proud of the performance in this quarter and especially the restaurant teams are working so hard, but so are the retail teams. We have a new leader in retail. I think I've chatted with you about her before. I'm so proud of Heather Hager. She joined Cracker Barrel in 2024 and was promoted to Senior Vice President of Retail just this past February. She's got a really, really broad background across retail and hospitality and all facets of that, including retail design, brand and customer experience, strategy, finance, and I'm pleased with the way she's really leading the business and the teams and the work that they're doing there.

So as mentioned, the call, retail comps outperformed our restaurant comps for the first time in over 4 years. And the increases were in the units per transaction and the average unit retail. And to your point, I think there's a few things going on there. One, the initiatives around SKU rationalization. The optimized markdown strategy that Heather and the team have really been working hard on is really driving a lot for us as well. And the improved merchandising. They're working on bringing site lines down, widening aisles. They've been running a lot of tests all year, and a lot of those are coming together now, and you'll see some of those move into next year for us. They're gaining traction, and it's really working.

So I've talked about the updated retail strategy in the past. There's more to come there, but they're really doing a nice job around all of this. In addition to all of that, remember, they also mitigated a bunch of tariffs, right? We had \$17 million worth of tariff impacts in this last year. So they did a great job around that.

And then I think finally, the most important thing, truly, right? I mean, obviously, the hard work and how you manage the business, and buy the business and merchandise it is important, but you got to have the right stuff. And the team has done a really wonderful job of making sure that we have product that resonates with guests.

I called out a few on the call as well, but in particular, toys have been a bright spot for us. Toys in general, have done well in the industry. But our team has done a really nice job focusing in on sensory play, fidget toys. I mean we've had runs on NeeDoh like it's a great category for us. They've done a wonderful job there.

And then the other thing you'll see a lot in our social media is our collectible salt and pepper shakers. They are such a hit in what a great sort of brand expression. We're able to play up on things from our legacy, things that -- stories that we want to tell, things that are uniquely Cracker Barrel. And they're just fun, and they're very affordable. So when you think about a pressured consumer and wanting to have a little retail therapy at a very affordable price, those fit the bill.

And then finally, right now, our front and center theme in stores is the American Heritage team, and this has been a beloved part of our summer assortment for years now. The team really worked to hone that assortment given it's the 250th anniversary of the signing of the Declaration of Independence this summer, this merchandise is selling out so fast for us. It's been so popular that actually we had to pull Halloween up because we've been running out of this American Heritage product. So Halloween actually hit the floor for us, this past week, and that's actually off to a great start as well.

So thanks for the question. Really proud of the team and all the hard work that they're doing there. But honestly, I'll take this opportunity to really just thank the entire Cracker Barrel because everyone has worked so hard this last quarter. Our teams in the stores, the team at the support center and everyone is working really, really hard to effectuate the change that we're seeing in the results.

Operator

The next question comes from Jeff Farmer with Gordon Haskett. Please go ahead.

Jeffrey Farmer

Gordon Haskett Research Advisors

You guys did touch on it, but the middle of the EBITDA guidance range increased by more than 30%, which was a very big number. So I'm just curious if you can provide just a little bit more color on the nature of that, greater-than-expected flow-through you're seeing on the EBITDA line?

Craig Pommells

Senior VP & CFO

Sure. Jeff, it's Craig. Good to be talking to you again. I think that we really -- the teams did a really good job in the quarter, and that's continuing into the fourth quarter as well. We were a little bit higher on our comp store performance, again, referencing that kind of gradual improvement. So that drove the top line to be a little bit stronger. So traffic was a bit favorable.

We also did a lot of work on menu mix, in particular, with add-ons. We've made some changes to our site strategy as well as our Barrel Bites or appetizers and that paid off well. We've got -- the operations team was really humming as well during the quarter. So we had a really good performance with food waste as well.

So all of the pieces, all of the work that the team has been doing over the past few months and we've been planning for it and purposeful. That just came together really well from a cost perspective. And as importantly, if not even more importantly, it also translated into the guest experience, which also improved a lot. So it's a function of team coming together, putting together a good plan and executing the plan.

And it just -- on a number of fronts, the plan was a little bit on the higher end of our expectations, and that drove the improvement that we saw in the quarter relative to our expectations. And it also, we expect will continue to contribute to that gradual improvement that we have laid out for the fourth quarter.

Jeffrey Farmer

Gordon Haskett Research Advisors

Okay. A lot you said there. I'll process that. But actually, just my follow-up on that. So as it relates to cost control relative to everything you just sort of highlighted. How big a role has cost control played in driving that EBITDA revision, the upward revision to EBITDA on the cost control front?

Craig Pommells

Senior VP & CFO

Yes. It was significant -- and in this case, the cost control actually starts with -- actually, I'm going to go all the way back. It's cost control but even start the sales level. So thinking about Check and thinking about add-ons, and what the marketing team has done there to really enhance our add-ons. We've also updated the way that we discounted during the quarter. So we made a lot of improvements in Q3 with our discounts in relation to where we were in Q1 and Q2, really driven by the market in Oregon and executed by the operations org.

And then as I mentioned, a number of cost benefits there in terms of in terms of waste, in terms of labor, in terms of supplies. So it's all of it, all of those pieces coming together that some of them -- a lot of cost controls, but also things that drove the top line in the form of check and improving our check performance as well during the quarter.

Julie Masino

President, CEO & Director

There's no doubt, Jeff. We are operating better in our stores, right? All the metrics that I shared, the consumer-facing metrics in terms of Google Star rating our quality scores, our value scores on food taste scores, the service scores are better. The teams are just really focused.

Again, I'm really proud of everybody's hard work and under Doug's leadership, they're very focused on taking care of the guests but also making sure that they're doing things properly, and that's improving waste. That's improving the scheduling. All of those things are coming together, really, really nicely. So it's just some real hard work and attention to detail by the teams on all the fronts.

Operator

[Operator Instructions]. The next question comes from Jon Tower with Citi. Please go ahead.

Jon Tower

Citigroup Inc., Research Division

Appreciate it. Maybe just starting in terms of the guest complexion, obviously, it looks like you're focusing a little bit more on fan favorites of the past and bringing those back and then innovating around them. I'm just curious if you could share some color on the guess that you're drawing in during this quarter relative to past, are they older, younger, the income levels, it sounds like you're still seeing some pressure on the lower income cohort, but any color you can provide around that would be great.

Julie Masino

President, CEO & Director

Jon, it's Julie. Thanks for the question. Obviously, it's Julie. Craig doesn't sound anything like me, sorry. I'll start, and then I'll have Craig jump in a little bit on some of the finer points. So let me take you back because this time last year, Jon, we had actually brought new guests into the business. And we were really excited about the work and proud of that work. around Campfire, around the Cracker Barrel 400 and how the marketing -- the full marketing funnel really came together around that.

If you remember, Q1 and Q2, we lost a lot of those new guests. And we've turned very, very intentionally to our core guests to our loyalty members and make sure that we really retained them and brought them back as we were pulling ourselves out of the Q1 situation. So we have been very, very focused on that.

The teams have done a great job in the high-value loyalty guests, making sure that they're back in, making sure that we're growing loyalty as a percent of tracked sales and making sure that our guests know that we're still the Cracker Barrel that they know and love and that we're operating even better for them. The food is even more delicious. It's made the way that they remember and the service is going to be out of this world. So that is really what the teams are doing every single day, and we're very, very focused on that.

In that, I'll let Craig give you the numbers around it. But we are -- we've been pressured, as you mentioned, on the lower income, but we're seeing some growth in the upper income guests which has been nice to see. Across the demographics, it's been pretty consistent. There hasn't been a lot of newness or people coming in differently there. But we are pleased with the progress that we've been making, most intentionally around holding on to our core guests. And we've got lots of stuff to share with you as we go into next year around how we're moving that forward.

Craig Pommells

Senior VP & CFO

Yes. I would just really reinforce that. From an age perspective, again, relatively consistent across the different age cohorts, not a big difference there. In terms of income, as we mentioned, better performance at the higher end of the spectrum and pretty linear performance as income goes down. And this really was the quarter of the core guests kind of bringing back our legacy guests, particular guests that are part of the loyalty program, and that really was a big driver for us this quarter.

Jon Tower

Citigroup Inc., Research Division

Got it. And maybe going to the marketing side of the equation, I know that as of last call, you were talking about marketing spend in the back half of the year being down \$13 million to \$17 million. Curious how you're thinking about that shaping up for next year. Are you contemplating kind of a reset back to previous levels? Or are you comfortable with kind of the run rate that you're at, at the moment?

Craig Pommells

Senior VP & CFO

Yes. We'll touch on the marketing spend on the next call. Clearly, in the second half of the year, we adjusted down -- it was -- we were down about \$7 million versus prior year and Q3 will be down roughly \$7 million in Q4 versus prior year. That puts us in a range that's kind of over longer-term advertising as a percent of sales, what we've done over the very long term.

Now we want to continue to test and learn and to the degree that there is a compelling business case to spend more we will do that. But for right now, given where we are and the P&L objectives that we had we were pretty effective with the level that we executed in Q3 and that we've got planned for Q4. And as we move into next year, we're going to use the data that we have, the best we're able to and combine that with some test and learn and if that data says, we should stay where we are, we'll do that. And if it says we should do more, we'll do that.

Julie Masino

President, CEO & Director

Yes. And I think what I would add to that, Jon, is the teams are really -- what you're seeing in the performance in Q3 is the team is really, really getting scrappy getting focused on maximizing every single penny that we have and that marketing is another place where the team has done a really nice job of that. So it's not simply about reducing dollars. It's examining that entire funnel. The team's gone back through and said, okay, we're focused on retaining our guests, where do we find them? How do we go after them? We've created look-a-like audiences for all of them last year. If you remember, I've talked about the work that there and the team did to really relook at all of the audiences, relook at all of the media.

And last Q4 was the first time that we had, had that sort of new funnel and those new audiences. And then given everything that happened in Q1 and Q2, we went back and reexamined all of that. So any -- so they went in and did that. I think the last thing I would add into that is the work that we're doing around the CB 400 has also been really exciting. We've actually doubled down there even more to show up across all of the races with Speedway Motorsports this summer and really write the value proposition to life. It gives us a chance to get outside of the stores. in real, authentic ways, connect with people, share campfire with them.

So we're looking across all pieces of the funnel, not just like your traditional media and your digital and all of the social and all those things. But the activations that we're able to pull together this summer have been really phenomenal in our partnership with them.

Craig Pommells*Senior VP & CFO*

And maybe 1 more lever there, Jon, as well, is just the loyalty program. And we've got 12 million members and -- it's just a lot more efficient for us to efficient and effective for us to talk to them directly. And as that population has grown and continues to grow, it gives us another way to communicate with guests, and they get a little bit more out of that in terms of earning pegs and redeeming pegs and they'd love to do that in retail. And for us, it's more cost effective.

Julie Masino*President, CEO & Director*

Yes. I think I'll just build on that 1 because that's an excellent point, Craig. I think that's what you posed to me, and I missed it. Is -- this summer, we also launched on a new promo for our loyalty members as a way to drive both activations and excitement for them. And frankly, given the macros that everybody asks us about and that we know all the consumers are experiencing out there really let our guests know that we've got them, right?

So we launched food and fuel and we call it, food and fuel internally, but it's the Fuel Your Summer Road Trip sweepstakes. And this is an example of really using the loyalty program in an exciting way to bring value to guests this summer. So any time a loyalty member purchases an entree, it started the weekend before Memorial Day through the end of July, they're entered in the sweepstakes. We've got 25 people winning every week in \$1,000 worth of gas cards and \$500 worth of Cracker Barrel foods. So it's a great -- I'm super pumped about it.

I think it's amazing because I think it really speaks to what people are feeling out there right now in terms of groceries, and food are more expensive, and gas is more expensive and at Cracker Barrel we want. People will still be able to enjoy their summer. And we're an affordable option for them this summer. We pointed out where our average check is versus the competition. So we think this is a great way for us to reward those loyal gas. And frankly, to get some new people into our loyalty program as well.

Jon Tower*Citigroup Inc., Research Division*

Maybe just one last one for me is CapEx spend is obviously down this year relative to where it had been or at least originally thought about over time. I'm just curious, where are you guys thinking about the remodel cycle again, because obviously, there's quite a bit that still can be done at the stores with respect to bringing it to kind of modern image. But how far out are you thinking before that kicks up the end to the system?

Craig Pommells

Senior VP & CFO

So we are -- there are a lot of the great things about Cracker Barrel is in a lot of ways, the look is a look that's enduring. Now what we've continued to do is really improve on areas that are -- don't really impact that. So we've done work in areas like the bathrooms as an example. We've made updates there. We're continuing to make updates to the way that we show items in the retail area. So we're spending in the store in a format that is not a traditional remodel but really makes the experience more easier for the guest a little bit more effective, but really preserves the it really preserves the brand's core.

Julie Masino

President, CEO & Director

Yes, if I may, Jon, we have been really clear. We put the remodel program on pause this year. given everything that happened to us in Q1, we wanted to really listen to our guests, we learned a lot from that program in fiscal '24. And in '25, there are a lot of things that Craig is alluding to that worked really well for us that we were pleased with.

But our guests did not want us to move forward with that at this point in time. So we put that on hold. And when we get to '27, we'll talk about kind of what we're thinking about going forward, but it's really more in the lines of what Craig is talking about. We're just updating paint, updating bathrooms, things like that. We don't have big plans to roll a remodel program.

Operator

The next question comes from Paul Hsiao with UBS. Please go ahead.

Paul Hsiao

Great. for the question and congratulations on great results. I guess my first question, I think you've mentioned pressure among lower income consumer. Just wondering if you noticed any other impacts from the elevated gas price and specifically if there's any indication from gas surcharge like gas price surcharges from vendors or suppliers that's probably going to, I don't know, potentially hitting the flow-through.

Craig Pommells

Senior VP & CFO

Paul, yes, in -- certainly, fuel prices are up and that will impact the business in terms of distribution on the restaurant side. It also impacts the retail side of the business. So there is some impact in the fourth quarter related to fuel, and all of that is included in the guidance.

Paul Hsiao

Got you. And maybe just 1 more on maybe some bigger picture things. I'm wondering if you have seen any early signs from the usage of GLP-1, if there's any shift in guest ordering customization trends, if you have seen anything maybe on the order size. Any color you can share with us?

Julie Masino

President, CEO & Director

Yes, Paul. We have been actively monitoring GLP-1s for over a year now and really watching what's going on. We have not seen any measurable impact at Cracker Barrel to date. Our menu strategy continues to really think about our bring backs, our innovation, the categories and all of those things. And we already have a lot of protein forward categories.

We reorganized our menu about a year ago to really make it easier for people to order by the protein that they like, whether that's beef or chicken or seafood. And we've got portion flexibility for all of our guests, right? We have 2 sides or 3 sides, I'd love to say you can crack it in -- your Cracker Barrel, doesn't like it when I say that. But -- we've got lots of options for people. We've got lighter comfort options. We just did an ad -- in a salad for \$5, and you can take all of this.

So what we're seeing is that people are able to customize their Cracker Barrel experience the way that they want to. They want more protein, if they want a smaller portion. We've got that early dining option for them as well, that really sharp price point Monday through Friday.

So right now, we're feeling like we're meeting people's needs and that's what we're hearing from our guests, and that's what we're seeing. And the way mix is up, and just everything seems to be working okay for us right now.

Remember, people love abundant portions at Cracker Barrel at a very fair price point. We hear that again and again from our guests as we look at our pricing and as we're constantly talking to our guests and evaluating their needs, that continues to be the resident theme, which is abundant portion at a fair price, and that's what you get here at Cracker Barrel.

Operator

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

Julie Masino

President, CEO & Director

Thank you for joining us today. I want to again thank our 70,000-plus team members who are doing such a great job focusing on our guests and executing our plans. We are encouraged by our progress and are confident that our continued focus on serving delicious food and delivering an exceptional guest experience will sustain this momentum.

Operator

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

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