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Cracker Barrel Old Country Store, Inc. (CBRL) Q4 2024 Earnings Call Transcript

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EPS of \$0.98 **misses by \$0.12** | Revenue of \$894.39M (6.89% Y/Y) **misses by \$2.78M**

Cracker Barrel Old Country Store, Inc. (NASDAQ:[CBRL](#)) Q4 2024 Earnings Conference Call September 19, 2024 11:00 AM ET

Company Participants

Adam Hanan - Director of IR
Julie Masino - President and CEO
Craig Pommells - SVP and CFO

Conference Call Participants

Brian Mullan - Piper Sandler
Dennis Geiger - UBS
Katherine Griffin - Bank of America
Jake Bartlett - Truist Securities
Andrew Wolf - CL King
Jon Tower - Citigroup

Operator

Good day. And welcome to the Cracker Barrel Fiscal 2024 Fourth Quarter Conference Call. All participants will be in a listen only mode [Operator Instructions]. Please note this event is being recorded. I would now like to turn the conference over to Adam Hanan, Director of Investor Relations. Please go ahead.

Adam Hanan

Thank you. Good morning. And welcome to Cracker Barrel's fourth quarter fiscal 2024 conference call and webcast. This morning, we issued a press release announcing our fourth quarter results. In this press release and on this call, we will refer to non-GAAP financial measures such as adjusted EBITDA for the fourth quarter ended August 2, 2024. 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 Masino

Good morning. And thank you for joining us. Today marks Cracker Barrel's 55th birthday. This incredible milestone is one that few concepts have achieved and is a testament to the enduring appeal of our brand and the hard work by so many since Danny Evins founded Cracker Barrel in 1969. Their efforts lay the foundation for the investments we are making for our future and we are grateful for the opportunity to build upon and continue this legacy. This morning, we were pleased to report total revenue and adjusted EBITDA consistent with our guidance. We remain focused on operational excellence day in and day out. Our multiyear strategic transformation journey is off to a great start. I'll touch more on each of these in a moment but there's a lot to be excited about. We've hired a new dynamic CMO and are making progress on refining the brand. Our new menu items are resonating with guests. Our optimized pricing initiative is delivering strong flow through and strong value perception scores. We're seeing a lift in traffic and sales in our remodeled pilot stores. Our loyalty program has 6 million users after just one year and is delivering incremental sales and traffic. And our teams are highly engaged in executing at a high level, which is reflected in key improvements in employee and guest metrics.

All of these are highlights from our five strategic pillars: refining the brand, enhancing the menu, evolving the store and guest experience, winning in digital and off-premise and elevating the employee experience. I'll now dig into each one of these. Our first pillar is focused on evolving the brand and reflecting this in all the ways we interact with guests. We've partnered with a top tier agency and have conducted extensive qualitative and quantitative research that is informing our upcoming brand refinements. Our findings reiterated our numerous brand strengths and identified opportunities to increase brand love and ultimately drive increased consideration and traffic. I'm thrilled that Sarah Moore has joined our team as Chief Marketing Officer and she is leading this work. Sarah brings nearly 20 years of hospitality experience, most recently as SVP of Marketing at MGM Resorts International, where she spearheaded marketing initiatives for a portfolio of world class hospitality brands, such as Bellagio, Aria and MGM Grand. Her expertise in digital marketing, loyalty programs and crafting innovative approaches that honor brand heritage while driving strong business results, coupled with her hospitality focused leadership and love for the brand, make her an ideal fit. As I mentioned earlier, Cracker Barrel was founded 55 years ago today. And we're marking this milestone birthday in several ways. First, we're excited to be partnering with legendary athlete and Cracker Barrel superfan, Deion Sanders, and Coach Prime will be featured in our digital messaging. Additionally, to commemorate our birthday and show appreciation to all Cracker Barrel Rewards members, including both guests and employees, we're offering complementary servings of our Double Fudge Coca-Cola Cake, coffee and iced tea today through Sunday.

Our second pillar is to enhance the menu and make it more craveable for guests and easier to execute for our teams. This also includes optimizing our pricing while maintaining our strong value proposition. We're leaning into innovation and have introduced several new offerings in recent months. These included LTOs such as our sweet and spicy bee sting chicken tenders and sandwich featured in Q4, and our new fan favorite Hashbrown Casserole Shepherd's Pie and fried apple french toast baked that are currently featured. We've also added several new offerings to our core menu. We introduced a new Sunrise Pancake special for \$7.99. It's an incredible value. It includes two fluffy delicious buttermilk pancakes, two eggs and your choice of bacon or sausage. We also added several premium offerings featuring a New York strip, which is a quality upgrade from our previous steak. Additionally, we've augmented our daily dish menu by adding several daily specials, such as our sweet and tangy southern barbecue ribs, premium savory chicken and rice and delicious, unctuous slow braised pot roast. We've been pleased with the performance of these new offerings and we're building an exciting innovation pipeline.

Our menu enhancements go beyond the offerings themselves and also include how items are presented on the menu. We're very focused on strengthening our already strong value proposition and one of the ways we're doing this is by implementing a barbell pricing strategy. As I mentioned earlier, we've already introduced new items at both the low and high end of the spectrum and we'll be adding more. Additionally, we're continuing to highlight our early dinner deals. These offerings are an exceptional value and the platform allows us to message compelling price points, which is especially important given the high level of promotions and discounting in the current environment. Another way we are enhancing our menu is by driving efficiencies to improve profitability by reducing fixed labor and making back of house drops easier and more enjoyable. We're working with an industrial engineering firm and we just completed the first phase of analysis and are now moving into the initial testing phase. As part of this, we're rethinking back-of-house roles and responsibilities to improve production efficiencies and reduce waste. We believe this work will yield significant cost savings both in FY25 and beyond, while also improving the quality of our scratch made food. In the coming weeks, we will be launching an approximately 20 store test to validate key assumptions and we plan to launch system wide in Q3.

The final aspect of menu enhancement is our work on price optimization and bolstering our strong value positioning. Our brand has always been synonymous with delivering great value to our guests, and we know this is particularly important right now. We are being much smarter and more sophisticated with our approach and improving the way we price so that each store hits the sweet spot based on consumer willingness to pay, competitor pricing and store operating costs. In most cases, this means increasing the pricing in stores. But in some cases, it means lowering it. For example, in Q1, approximately 150 stores moved to a higher pricing tier while approximately 70 stores moved to a lower tier. We've been pleased with our results to date. Our analysis indicates we are effectively passing through our price increases. In addition to the strong flow through, we have actually seen an improvement in our value scores following our August price increases. We will continue to monitor this closely and are prepared to adjust as necessary. But the data suggests this is a large opportunity and will be a key driver of improving our profitability.

Our third pillar is focused on the guest experience and this encompasses operational execution, store design and atmosphere and retail. Operational excellence and consistent execution are a top priority. We remain hyper focused on the metrics that are most highly correlated with same store sales growth. Throughout fiscal '24, we invested in labor hours to support these objectives and we continue to make improvements in these important leading indicators. Although we may not share this detail every quarter, I do want to provide some examples. Compared to the prior year quarter, hourly turnover improved by 13 percentage points. CPE time, a key speed metric, improved by 7%. Average skill level for the key positions of cook and server increased by 1.5%. Google star rating increased from 4.1 to 4.2 and our internal net sentiment scores hit their highest levels since we relaunched the program last fall. And finally, off-premise missing item scores improved by 13%. I want to give a huge shout out and thank you to our retail and restaurant teams for achieving these results. This is a testament to their vigilant focus on our guests and executing the day-to-day business. I believe we will sustain this momentum and this will translate to increased visits over time.

As I've mentioned before, store design and atmosphere are critical to the guest experience and to position us to win in the near and long term. That is why we're investing in more maintenance capital to ensure our stores meet our brand standards that they compare well to the competition and that they are desirable places to work. Our incremental investments are focused on areas we think are the most impactful to the guest and employee experience, things like exterior paints, parking lots, flooring and restrooms. To give a sense of the progress we're making here, in Q4 and Q1 to date, we've redone approximately 35 parking lots, updated 30 back of house and 30 front of house stores and repainted the exterior on another 30 stores. This work is part of our defensive capital spending that is crucial to our success. Another important initiative of this pillar is our remodel program. In FY25, a key objective is to understand which remodel packages resonate the most with guests and drive the strongest return on investment because this will inform our plans in subsequent years. In addition to the high, medium, low options we've previously spoken about, through our testing, we've also developed a fourth, even lower cost option, that we're calling a refresh. We are excited about the refresh option because it's provided a strong return in the initial pilot store and allows us to quickly address more stores at a lower cost. In addition to the 25 to 30 full remodels planned in fiscal '25, we also anticipate completing 25 to 30 refreshes.

Although I want to emphasize that it is still early, we are encouraged by the results of our remodel pilot stores. We have consistently seen traffic and sales growth across the four stores that were updated in fiscal '24. Guests have noted that the updated stores feel brighter and more open, but most importantly, remain authentically Cracker Barrel. We've also received positive feedback from our employees and a common theme is that they feel energized by the investment and that the updates are improving their experience. We will continue to be thoughtful and disciplined with our remodel program. This is one of the biggest areas of planned investment in the coming years and we are working diligently to ensure we get the investment algorithm right for our shareholders. We are taking the learning from our four pilot stores and applying to our first market test in Indianapolis, Indiana. For this 12 store test, we are bringing together elements from the remodel program along with new menu items and service standard enhancements to further refine our hypotheses around the remodel program and algorithm. It's going to take a few months to get a read but we are excited about this test and look forward to sharing updates in the future.

Another aspect of this third pillar is our retail business. And here, we're focused on optimizing our assortments, improving the shopping experience, and driving profitability. We're continuing to lean into our seasonal themes, which have been a relative strength. We're encouraged by the guest response to our Halloween and harvest collections and we're seeing positive momentum in our everyday businesses. Additionally, this year, we're focused on supporting margins by enhancing our allocation, replenishment and inventory management capabilities. Our fourth pillar is to win in digital and off-premise. Today my comments will focus on digital. Before providing some additional detail, I want to note that we are committed to regularly updating you on our progress for the loyalty program. However, for some of the metrics I will be referencing, we intend to only provide updates on an annual basis. Cracker Barrel Rewards launched one year ago and this is another way we are reinforcing our strong value proposition. We continue to see proof points that it is one of the most engaging and differentiated loyalty programs in full service dining and we're excited about it for several reasons.

First, we're pleased with guest adoption. We currently have 6 million members, which has exceeded our initial expectations and is a testament to the appeal of the program. Second, our members are very valuable. They visit us 50% more often and their average check is 10% higher than nonmembers. They also have a strong proclivity for retail as their average retail basket spend is about 40% higher than nonmembers. Third, we've demonstrated an ability to influence guest behavior and drive traffic as evidenced by the increase in visit frequency of members pre and post enrollment. Finally, we're excited about the robust guest data and insights this program provides. Over the past year, we've markedly improved our analytics capabilities. We are excited about the opportunity to unlock new insights and to directly communicate with our members to further drive sales and traffic. We're continuing to test and learn to understand what resonates most. To give some examples, we've recently tested member exclusive campaigns, such as our Endless Summer Sweepstakes and other limited time promotional offers such as PEG Accelerators and Kids Eat Free. The results of these tests affirm the potential of the program and the power of directly communicating with this valuable guest segment. We remain so optimistic about this program. We believe it will be a long term traffic driver and brand differentiator and we will leverage its uniqueness and insights to drive profitable growth in the business.

Our final pillar is to enhance the employee experience. We're in the hospitality business and people, both employees and guests, are the heart of our business. To deliver an excellent employee experience, we'll continue to focus on staffing and retention to get and keep the right people. As I alluded to earlier, we continue to make great progress on turnover and are focused on further improvements. In Q4, hourly turnover was approximately 100% compared to 113% in the prior year quarter and manager turnover was approximately 22% compared to 27% in the prior quarter. We're also focused on making jobs easier through simplification and upgrading our tools and training. In Q4, we launched a new human capital management system and this system provides a modern foundation to support an improved employee experience. Additionally, it will improve our positioning as an employer of choice and it will also deliver efficiencies that contribute to cost savings. Managers are especially critical to our success. So we're working diligently to improve their experience and streamline their jobs so they can focus on what's most impactful, which is directing and coaching their teams and supporting an exceptional guest experience every shift, every day. Before handing it over to Craig, I want to reiterate that we were pleased to deliver results that were in line with our guidance and that we're focused on executing our day-to-day business while making significant progress on our future. I'll now turn it over to Craig to review our financials and provide our outlook.

Craig Pommells

Thank you, Julie. And good morning, everyone. Today we reported total revenue of \$894.4 million, which was up 6.9% from the prior year quarter. This increase was primarily driven by an additional \$62.8 million of revenue from the 53rd week. Restaurant revenues were \$731.3 million and retail revenues were \$163.1 million. Comparable store restaurant sales increased 0.4% over the prior year. Pricing was approximately 4.2%. Our quarterly pricing consisted of approximately 0.2% carry forward pricing from fiscal 2023 and 4% new pricing from fiscal 2024. Off-premise sales were approximately 17.2% of restaurant sales. Comparable store retail sales decreased 4.2% compared to the fourth quarter of the prior year. We saw declines across most categories with food and decor seeing the largest declines. Although retail sales were soft, we were pleased with how the team effectively managed inventory levels, which were below prior year. Moving on to our fourth quarter expenses. Total cost of goods sold in the quarter was 30.4% of total revenue versus 30.8% in the prior year quarter. Restaurant cost of goods sold in the fourth quarter was 26% of restaurant sales versus 26.6% in the prior year quarter. This 60 basis point decrease was primarily driven by menu pricing. Commodity inflation was approximately 1.1%, driven principally by higher pork and beef prices, partially offset by lower oil and poultry prices. Fourth quarter retail cost of goods sold was 50.1% of retail sales versus 48.8% in the prior year quarter. This 130 basis point increase was primarily driven by discounts and markdowns. Our inventories at quarter end were \$181 million compared to \$189.4 million in the prior year.

With regard to labor costs, our fourth quarter labor and related expenses were 37.5% of revenue versus 36.5% in the prior year quarter. This 100 basis point increase was primarily driven by our investment in additional labor hours to support the guest experience, hourly wage inflation of approximately 5% and higher workers' compensation expense. Other operating expenses were 23.9% of revenue versus 23.3% in the prior year quarter. This 60 basis point increase was primarily driven by our investments in advertising and higher store maintenance. Adjusted general and administrative expenses in the fourth quarter were 5.2% of revenue and exclude approximately \$5.1 million in professional fees related to our strategic transformation initiative. This compares to 4.5% in the prior year quarter. And the 70 basis point increase was primarily driven by investments related to our strategic transformation, a legal settlement and more normalized incentive compensation. Net interest expense for the quarter was \$5.7 million compared to net interest expense of \$4.5 million in the prior year quarter. This increase was primarily the result of higher weighted average interest rates and higher debt levels. Our GAAP effective tax rate for the fourth quarter was negative 10.1%. On an adjusted basis, our effective tax rate for the quarter was negative 2.2%. Fourth quarter GAAP earnings per diluted share were \$0.81 and adjusted earnings per diluted share were \$0.98. These results include a benefit from the 53rd week of approximately \$0.25. In the fourth quarter, adjusted EBITDA was \$57.4 million or 6.4% of total revenue, which includes a benefit from the 53rd week of approximately \$5.8 million compared to \$70.4 million or 8.4% of total revenue in the prior year quarter.

Now turning to our balance sheet and capital allocation. We continue to believe that we are well positioned with our balance sheet to execute our strategic plan over the next few years. The company's Board of Directors is committed to a balanced capital allocation approach, investing in the business to drive profitable growth continues to be the top priority, followed by returning cash to shareholders through our regular quarterly dividend and share repurchases. In the fourth quarter, we invested \$47.4 million in capital expenditures and returned \$28.9 million to shareholders in dividends. We ended the quarter with \$476.7 million in total debt. Lastly, as we announced in today's press release, the Board declared a quarterly dividend of \$0.25 payable on November 13th to shareholders of record on October 18, 2024. Now turning to our fiscal 2025 outlook. I want to remind everyone that we view fiscal 2025 as an investment year as many of our strategic initiatives will be in the early stages and that we expect to see significant improvement in our financial results in the back half of fiscal 2026 with further acceleration in fiscal 2027. While fiscal '25 is an investment year, there are several initiatives we're excited about that will improve the business model and help us achieve our target of growing fiscal '27 EBITDA margins by approximately 400 basis points over fiscal '24. I want to highlight a few.

First, we're implementing our optimized pricing strategy that allows us to effectively price above inflation, while simultaneously enhancing our overall value proposition, which will lead to margin expansion over time. Next, as Julie discussed, our loyalty program will be a meaningful traffic driver in the coming years. Currently, approximately 25% of transactions are associated with the loyalty program and we expect this to increase further. As a result, the program provides an opportunity to improve the efficiency of our marketing spend by directly communicating with members with targeted messages. Lastly, we're excited about the back of house optimization work. This is a significant cost savings opportunity and it will improve our labor model by reducing overall costs while making back of house labor more variable and less fixed, allowing us to more efficiently flex up and flex down. Now turning to our guidance. For fiscal 2025, we expect total revenue of \$3.4 billion to \$3.5 billion; pricing of approximately 5%; the opening of two new Cracker Barrel stores and three to four new Maple Street units; commodity inflation of 2% to 3%; and hourly restaurant wage inflation of 3% to 4%. We expect our general and administrative expenses will be elevated in fiscal '25 compared to the prior year, primarily due to investments related to our strategic transformation initiatives as well as more normalized incentive compensation. We expect the G&A as a percent of sales to normalize as our financial results improve in the second half of fiscal 2026 and into fiscal 2027.

Taking all of the above into account, we anticipate full year adjusted EBITDA of approximately \$200 million to \$215 million. As a reminder, beginning in Q3 of fiscal 2024, we modified our definition of adjusted EBITDA and are no longer adjusting for the noncash amortization of the asset recognized from the gains on sale and leaseback transactions. This will be an approximately \$3.2 million noncash expense each quarter and is expected to remain at a similar level over the remaining life of these leases. Additionally, we are now including an add back for noncash share based compensation expense. Furthermore, our adjusted EBITDA guidance excludes consulting fees related to our strategic transformation, which we expect will be approximately \$5 million to \$10 million. It also excludes any expenses related to our proxy contest in connection with the company's upcoming Annual Meeting of Shareholders. We expect a full year GAAP effective tax rate of negative 7% to negative 11% and an adjusted effective tax rate of 0% to negative 4%. We anticipate capital expenditures of \$160 million to \$180 million. As a reminder, the increase in capital expenditures is driven by our investments in maintenance capital, our remodeling program and our IT initiatives. As a result, we expect depreciation will be meaningfully higher in fiscal '25. Before wrapping up, I want to emphasize how proud I am of the progress we're making and how excited we are about our future. I'm confident that we will successfully execute our strategic transformation while simultaneously remaining focused on operational excellence in our day-to-day business. I'll now turn the call over to the operator for questions.

Question-and-Answer Session

Operator

[Operator Instructions] The first question today comes from Brian Mullan with Piper Sandler.

Brian Mullan

Just a question on the remodel plans for the current fiscal year. Can you just remind us or take us through the differences between the high to medium and the low options? And is there one of those that you are favoring at this point or is there a goal to set on one of those for fiscal '26 and beyond after you have the learnings? And then just separately, you mentioned a new refresh option. If I understood you right in the prepared remarks, I think that was informed by what you're seeing in the pilot stores already. So just maybe elaborate on that refresh option, what makes a store good candidate and maybe what kind of sales uplift you're hoping to see?

Craig Pommells

So let me start out by actually talking about all of these. So we have the high and medium, low, which we've talked about before, and we laid out with a plan for 25 to 30 of those in fiscal '25. And we completed three of those in fiscal '24 and we've added the refresh option as well. And the refresh option. I'm going to start with that one, and work up from there because they're all build. The refresh option really came out of the work that we did in fiscal '24. And what we realized as we went through that work is there was an opportunity for something at a lower cost that really included paint and decor and that seemed to accomplish a lot and we were seeing good results. So that's the new one. As we move up from the refresh option, the low option adds on to that and it lays on furniture, primarily furniture and lighting. And from low to medium, we start to do some flooring work and a little bit more extensive work on the interior and exterior. And the high has more flooring. In addition to the flooring in the restaurant portion of the business, we have flooring in the retail portion of the business, as well as a couple of other elements. So fiscal '25 for us is really all about testing. We have these pilots in '24. We're encouraged by the pilots. But all of the -- everything that we're working through, we have targets but the precision around that is going to be developed in fiscal '25 across all of those designs. So we're excited about that and we'll share more in the future.

Brian Mullan

And then just a follow-up question. Just when you -- understanding there's different pricing tiers and you're seeing some success moving some stores up and down. Just as you put together the guidance for fiscal 2025, how are you thinking about menu pricing for the fiscal '25?

Craig Pommells

So we have 5% pricing for the year in the guidance and that blends all of those together, everything that's down as well as up.

Operator

The next question comes from Dennis Geiger with UBS.

Dennis Geiger

Wondering if you could talk a little bit about what you saw in the quarter from a customer standpoint, any thoughts as it relates to some of those key cohorts, either age, income demographic, et cetera? And then specific to loyalty, maybe the incremental customers that you've been adding, if there's anything you could say about those, age-wise, how it's skewed, great stats, I think, on the uplift that you're seeing from the program. But maybe just who is now in the program, who you've been adding to that, if there are commonalities there?

Julie Masino

We really haven't seen a huge mix -- or a mix shift in the customers in Q4. We've seen a little uptick in our 65 plus group, which is positive because they had been down prior. So it's nice to see that recovering a little bit. But other than that, the demographics have stayed pretty, pretty similar. We have seen a decline among the under \$60,000 a year cohort in spending. So we're just kind of keeping our eye on that. We have great value for all guests and we continue to reinforce that with the barbell pricing strategy. Items like Early Dine as well as our Sunrise Pancake special, that's just such an amazing value and if you're like me and you love our pancakes, it's a delicious way to start your day. So we feel really good about the shifts that we're seeing there, although they're very minimal, Dennis, honestly. Loyalty, thanks for asking about that. We are so excited about this program. We're so excited to really understand the cohort better. We haven't really been spending a lot of time digging into them demographically. We've actually been spending more time thinking about their behavioral spending and really using that to test and learn ways to drive behavior. The demographics, from what we've seen and what we're setting, are relatively in line with the average Cracker Barrel guest. Again, we view this as more of a way to drive behavior and that's really what we're looking at as we segment the population and really communicate with them directly to drive their behavior.

Craig Pommells

And Dennis I'll actually just -- it is Craig, I'll jump in and add a little bit to that as well, just to build on what Julie was saying, a couple really more encouraging things despite the really challenging backdrop. We ended the quarter -- on average over the quarter, we actually exceeded Black Box's Casual Dining Index for the quarter and continue to exceed for family dining. And some more encouraging news in that regard is we've been doing a lot of work around dinner. Dinner has been challenged for a while and we've shared that in the last few calls. And we added this Early Dine offer, as well as some other dinner news and we're seeing that trend start to move in a really good direction. So we're starting to close the gap there. So some encouraging things kind of finishing out Q4 and going into Q1.

Dennis Geiger

One more just on the cost savings side of things, a few to kind of put in here. Craig, on the G&A side, anything more specific to share for '25 beyond what you said already? Or is it a bit of a moving target where you want to maintain a little bit of flexibility there as it relates to that exact G&A number for '25? And related, on the cost saving side of things, you talked about a few of the opportunities today. Is that \$50 million to \$60 million cumulative three years, is that still the same that it was, if anything has changed there or if any kind of net commentary there, would just be curious?

Craig Pommells

I'll start with cost savings. Yes, we're still fully aligned with the \$50 million to \$60 million over the three years. In fiscal '25, we also have meaningful, what I would call, as gross cost savings as well but it is an investment year and as such, we really invest in that. We want to kind of keep building the momentum. So that's not going to net flow through in '25. But as we've shared before, by the back half of '26 and into '27, we expect those benefits to really accelerate in EBITDA to start to pick up meaningfully. And I think you hit the nail on the head as it relates to G&A. It is an investment year. We're doing a lot to build the business. But however G&A as well, as we move into the back half of '26 and into '27, we expect that will start to normalize as overall financial performance improves.

Operator

The next question comes from Katherine Griffin with Bank of America.

Katherine Griffin

Craig, I don't know if I missed it, but did you provide a breakdown of traffic and mix in the quarter? And then maybe you can also help us just understand like the pricing cadence of the year in terms of when you took pricing in the quarter. Just assuming like -- they're trying to get a picture, I guess, of the full year pricing at 5% you guided to and how much that implies for carryforward?

Craig Pommells

Katherine, traffic for the quarter was approximately negative 4%, mix was approximately positive 0.2%. And as you think about pricing for fiscal '25, we had multiple actions really in '24. We didn't have like two large ones, we had multiple throughout the year. So I'm not anticipating a whole lot of lumpiness, so to speak, as it relates to pricing in fiscal '25.

Katherine Griffin

And then I think like something that the brand is known for is value. I imagine that's -- it's most appealing in the loyalty program and in your messaging. So I wanted to understand how you're thinking about balancing, taking some more pricing with maintaining those value scores? I think just given that casual dining has relatively low frequency, what gives you confidence that you can maintain those, I don't know if they're rising value scores, against higher pricing?

Julie Masino

Katherine, it's Julie. I'll take this one. Thanks for the question because value is so important to us at Cracker Barrel. To your point, it is a hallmark of the brand and something that our guests really take very seriously. And when they think about value at Cracker Barrel, it's, like at any concept or any brand, it's an equation, right? So it is about not only at the price point that they're paying but all of those elements of service, all of the elements of the food and the experience that come together in that. Our guests have told us, we spent a lot of time thinking about this and researching it in the last year that for them one of the most important pieces of that equation is the amount of food and the abundance and quality of the food that they receive from us at Cracker Barrel. So as we work on the strategic pricing initiative, one of the things that we have absolutely maintained is our focus on quality and our focus on a real full plate. When you leave Cracker Barrel, you are leaving hungry. And honestly, look around a Cracker Barrel the next time you're in, most people are leaving with leftovers for tomorrow or for later in the day. So we are absolutely focused on maintaining that. As we talked back in May when we were introducing the strategic transformation, the way we've really approached pricing is different for Cracker Barrel. We have taken a new approach, which really puts the barbell pricing strategy out there. So we have really focused on sharpening and frankly, talking more about some of our lower entry price points.

And to highlight that, we really have a key thing at breakfast, which is the Sunrise Pancake special for \$7.99, two pancakes, two eggs and bacon or sausage, which is an amazing value. But then for dinner, we introduced our Early Dine deals. And those are phenomenal again, huge value, start at \$8.99, Monday through Friday, 4:00 to 6:00 p.m. And what we've seen, Katherine, is as we've actually put that Early Dine out there that the take rate on that continues to build. So we see that our guests are recognizing that value, they're coming in for it, they value the value as well as the delicious food that they're getting for it. And that's enabling us to really implement the barbell pricing strategy. I also talked in my prepared remarks about how we've actually upgraded our quality of our steaks. So that is actually a higher price point item when you think about how the barbell strategy works. And we're seeing great response to that item, as well as one of our new items, which is the Hashbrown Casserole Shepherd's Pie, has been a wild success. And that's sort of in the upper tier of pricing, but people love that item and it's really drawing a lot of people to the dinner date part and also to that item. So we're being very, very mindful of it. We are watching those value scores everywhere that we've taken price to make sure that people feel like we are upholding our kind of bond with them around what value means to them and the way that we execute at Cracker Barrel. So the data suggests we're on the right path. And just the responses that we're getting from our guests would also suggest that as well. So we feel really good about where we're landing on all of that.

Operator

The next question comes from Jake Bartlett with Truist Securities.

Jake Bartlett

Mine was just on the same store sales guidance, the implied guidance in '25 and how that might be informed by more recent trends. I believe maybe, Craig, if you can just confirm that you're looking at positive low single digits same store sales for the year. We heard earlier today from another company that industry sales had improved in August and then into September. It looks to me like Cracker Barrel has likely seen the same. If you could just confirm that. And then if that is true, if you're seeing an improvement, do you attribute it to industry trends or do you think some of your initiatives are really starting to kind of to bear fruit already?

Craig Pommells

So let me just start out with the first part. As we talked about our guidance is total sales \$3.4 billion to \$3.5 billion. If you take a 52 to 52 week basis there, that does work out to about approximately a 1% sales growth year-over-year on a 52 to 52 week basis. And with the pricing on the restaurant side of about 5%, you could kind of back into roughly what we're thinking in terms of traffic. And what I would say on the recent trends is our guidance really contemplates that already where we think the work that we're doing is working. I think it's all coming together and -- but it is a multiyear journey. We're very confident in the guidance. We're really encouraged by the momentum that we have across the whole host of metrics and Julie talked about the operations metrics, the guest satisfaction metrics, the loyalty metrics, what we're seeing with Early Dine. However, the backdrop is challenging. I mean there are times that it's a little bit better or a little bit worse but it is a challenging backdrop for sure and that is contemplated in the guidance as well. So current trends are contemplated and a challenging backdrop is also contemplated. The big thing for me is really the three year plan. How -- where are we working towards and how do we feel about that? And the signs that we're seeing right now are saying, hey, it's a three year plan but we're on our way and we're feeling good about the progress.

Jake Bartlett

And on the 5% menu pricing, at the surface, it's obviously a big number in a challenging environment that you just mentioned. Can you try to disaggregate how much of that is driven by the tiers, the changing of -- moving the net restaurants to a higher tier versus like-for-like menu pricing at a given store? And it's probably hard to disaggregate but I think the answer there would help us feel a little more confident that traffic is not going to be materially impacted by a 5% price increase.

Julie Masino

Yes, I'll start, Jake and then Craig can jump in if there are some things that I missed. So let's start with kind of the last part of your question, which is we have been testing our way through this since about March. And every single test that we have done and that would give us a little bit of -- a lot more time, honestly, has proven out that we're actually able to flow through almost all of it. It's not impacting traffic or elasticity, it is frankly lower than what we had built into the plan. And so that gives us a lot of optimism as well as looking again at those value scores that I talked to you about or that I talked to Katherine about. So we feel good about that side of things. With the moving pieces and the more strategic approach and the more sophisticated approach to pricing, it is hard to sort of disaggregate it a little bit. But what I will tell you again there is that we are watching it. We are watching what's going up, we're watching what goes down, we're watching the way that all of that is coming through and it is, again, flowing through very, very nicely. I want to remind you of something that I talked about back in May, which was when we started the strategic pricing work, we did a ton of competitive analysis. We looked tons of research out there.

On average, for like items with our competitors, we are priced 8% to 12% below them. It's a really important thing to remind everybody of, because even taking 5% that doesn't close that gap, right? And that would just be sort of straight numbers on all of that. So in general, we have room and our guests are telling us that we have room to take price. And so that's sort of the foundation of how we've actually kind of gone in and reassorted stores and the tiers, looked at where we have room. This is a multivariate approach. We're looking at willingness to pay, we're looking at cost of living, we're looking at cost of operation and trying to really come through with the best way to take this price in a way that doesn't kind of affect the same consumers and the same stores all the time, right? So that's really a big part of the strategy there. So that's giving us a lot of confidence in what we're doing and our ability to do it and to actually flow through the pricing. And the important reason that we're taking it is because we want to flow it through, it's an important part of our drive to drive profitability.

Craig Pommells

And Jake, I'll build on that just a little bit. I think one of the things that's not as clear to everyone if you're kind of outside the company looking in is our check average, our check average on the -- is we're mid-14s, right, mid-14 check average. Casual dining check average these days is in the \$26 range. If you take out the steak heavy folks, you're maybe in the \$22, \$23 range. So we are starting out from really a much lower point. And the pricing, in addition to everything that Julie also said, is kind of what Katherine said earlier too, the additional value lever is the loyalty program. We're able to deliver not only just a share discount through the loyalty program but we're also able to have offers. And we've been testing those offers over the year as an additional way to drive value and to drive incremental traffic. So it's a good question and we've really pushed on a lot of levers to ensure that we get really good flow through from the pricing. And so far, so good.

Operator

The next question comes from Andrew Wolf with CL King.

Andrew Wolf

I wanted to follow up on the loyalty program. And first, could you just compare that 6 million active users to the legacy program? And assuming it's up somewhat or a lot, can you discern whether that's existing customers who you converted or is it like net new customers to Cracker Barrel?

Julie Masino

We did not have a legacy program. So this is all new. We launched the loyalty program kind of in September last year. So it's about a year old. Now your question may be, were these already loyal customers to Cracker Barrel? Sure. But we don't have a lot of that pre-information. But what we can tell pre and post of the loyalty program implemented, these guests that are in the loyalty program today have a higher frequency than non-loyalty members, about a 50% higher frequency and their check is higher. And as I said in my prepared remarks, they're spending more on retail. So we do know a lot more about them now. It's 6 million of all the guests that come to visit us in a year, some of them probably were very loyal to us before we implemented this program last fall. But it's a new program and we continue to learn and be really optimistic about the results.

Andrew Wolf

I thought there was like a Pegs program that was sort of manual, but I'll just move on. Can you kind of discuss what the -- or what the '27 goal is in terms of penetration if you're at 25% of transactions now?

Julie Masino

For the loyalty members?

Andrew Wolf

Yes.

Craig Pommells

Andrew, I'll start with that one. We haven't -- we're at 25%, it's continuing to grow. At this point, we really haven't even defined what the top is. We've been doing a lot more testing. We think there's a lot more opportunity to go here. Really as we'll continue to build capabilities, it's one of the areas that we're continuing to invest in. But we have not communicated a firm penetration target as yet.

Andrew Wolf

The last thing, I just wanted to ask about the quarter. I think it's a travel heavy quarter. Was the comp same-store sales improvement as you go between measuring between folks who traveled and local people live around the store, around the restaurant, are you able to discern which cohort cut that way, you saw more improvement in?

Craig Pommells

We do that periodically. We did not do it for this quarter. We've really been -- as Julie shared, there is -- what we've seen more is a big difference between the under 60,000 cohort versus the over 60,000, and we've continued to see softness with the under 60,000 and much more stable in the above 60,000. We also saw some improving trends with the over 65 group. And we've been focused on dinner. We've been focused on regaining our momentum at dinner, which has been a challenge for a while.

Julie Masino

And I would just add on that real quick, Andrew. Remember, our Q4 last year was a real challenge from a traffic perspective. So we were really pleased to have to seen some dramatic improvements in our traffic there. So kind of across all the segments, as Craig just mentioned.

Operator

The next question comes from Jon Tower with Citigroup.

Jon Tower

Maybe first off, just a clarification. The pricing action that you took, did that start in August or something that's hit a little bit later?

Craig Pommells

The pricing action -- one of the things that we've done, and we've been doing this for a while, is we're taking more frequent pricing actions that are smaller, because guests respond better to that. And that's one of the reasons that we're not expecting a whole lot of lumpiness as it relates to pricing. So we had a series of pricing actions in '24 that will roll off and we have a series of pricing actions in '25 that will roll on.

Jon Tower

So some -- what's -- I guess, the 5% was included in the August number, quarter-to-date number, with the...

Craig Pommells

Yes exactly.

Jon Tower

And then maybe just going to the advertising piece of the business, I know 2024 the company stepped up spend there. And I'm just kind of curious, given all the transition that the company's going through right now when looking at fiscal '25, do you anticipate another step-up in spend? And specifically, where do you see yourselves putting that money? Will it be focused more around value still as that's imperative to the core customers today or do you see it focused on some of these new menu items that you're talking about that have an attractive price point but might be a little bit more premium to the everyday value?

Julie Masino

I'll start and then Craig can kind of jump in. We do not have a planned step-up in marketing spend as a percent of sales in '25. We did step that up last year. As we were -- as I talked about on a lot of the different calls, really testing and really refining our mix and looking at that and that's something that we're always doing. Especially with Sarah here, the team is really evaluating the mix. We're really doing a lot of media mix modeling right now to really find our way in through all the noise, because remember it's noisy out there. Our competitors are spending a lot of money. They're screaming a lot of value. And so we've got to find our way in with those messages. Now in the last kind of Q4 and even in Q1, we've had some different messages out there. What I will say is that they're actually all resonating, right? When you think about the fact that we messaged early dinner -- Early Dine, that's been, as I mentioned earlier, that has been ticking up. The take rate has been going up on that. And right now, we just switched over to the Hashbrown Casserole Shepherd's Pie, which has been a tremendous performer for us. So I think we're able to really just be uniquely Cracker Barrel. Find our guests, find our super fans, and really communicate with them in ways that are meaningful, because we are able to deliver amazing value as well as these craveable, delicious menu items in our way. And that's really a big part of our goal to regain market share is to really speak to guests the way that they want to be spoken to and really continue to tell our story and delight them every step of the way. And I know with Sarah at the helm of the marketing organization will continue to refine that and move that forward in a really meaningful way.

Jon Tower

And then maybe as you're going through the remodel process, I know you had some store closures last year. Have you found perhaps there's more opportunity to clean up the portfolio with respect to incremental store closures or are you pretty happy with where you sit today?

Craig Pommells

We're always looking at the store portfolio. We do it regularly. So what I'll say is, for right now, we don't have any planned close-ins but we'll continue to evaluate it.

Jon Tower

And then just last one from me, I should have asked this earlier. What's your average guest frequency today?

Julie Masino

Right now, it's still a little under 2 times a year, but that obviously doesn't take into account our loyalty members. So as we continue to learn more about them and the program, we'll be able to talk about that. They visit about 50% more often than a normal guest. So that's pretty exciting for us. So we'll continue to work on driving their frequency as we move forward.

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

I want to thank everybody for joining us today. It is the 55th birthday of Cracker Barrel, so it's an exciting day. And both Craig and I want to thank our 70,000 plus team members for their continued hard work and dedication to bringing the brand to life each and every day. I hope you took away that our transformation plan is well underway and on track. We're pleased with the progress the team is making and the initial results of our initiatives are promising. We're still in the early stages of this multiyear journey and there's much work to be done. But we are confident we are on the right path to deliver our imperatives of driving relevancy, which is really about capturing market share, delivering food and experiences that guests love, and growing profitability. And make no mistake, we will do this while continuing to maniacally focus on operational excellence every shift every day. We look forward to providing further updates on our progress, and thanks for your interest.

Operator

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

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