

## CBRL Group, Inc. Reports 27% Increase in Income Per Diluted Share from Continuing Operations for Fiscal 2008 First Quarter

2007-11-28

---

Updates EPS Guidance for Fiscal 2008

Comparable store restaurant sales for the first quarter of fiscal 2008 increased 1.8% from prior year for Cracker Barrel Old Country Store(R) ('Cracker Barrel') while comparable store retail sales were down 2.1%, both on a comparable weeks basis.

Revenue for the first quarter grew 4.1% to \$581 million compared with the prior-year quarter.

Operating income margin from continuing operations in the first quarter was 6.2% of total revenue compared with 6.9% in the year-ago quarter.

After-tax income and income per diluted share, both from continuing operations, were \$14.0 million and \$0.57, respectively, for the first quarter of fiscal 2008 compared with \$15.2 million and \$0.45, respectively, in the prior-year comparable period, a 27% increase on a per-share diluted basis.

CBRL Group, Inc. (Nasdaq: CBRL) today reported income per diluted share from continuing operations of \$0.57 for the first quarter of fiscal 2008, compared with \$0.45 from continuing operations in the first quarter of fiscal 2007, an increase of 27%. After-tax income from continuing operations was \$14.0 million, compared with \$15.2 million in the first quarter of fiscal 2007, with the reduction primarily reflecting higher labor and other operating costs in the fiscal 2008 quarter. On a per share basis, the reduction in shares outstanding associated with the Company's restructuring and related stock repurchase programs that it began in 2006 contributed to the 27% increase in diluted income from continuing operations.

### **First-Quarter Fiscal 2008 Results**

#### **Revenue from continuing operations**

Total revenue from continuing operations for the first quarter of \$581.2 million represented an increase of 4.1% from the first quarter of fiscal 2007. Comparable store restaurant sales on a comparable weeks basis increased 1.8% including a 2.9% higher average check, while guest traffic declined 1.1%. Average menu prices for the quarter were approximately 3.5% higher than a year ago. Comparable store retail sales were down 2.1% for the quarter on a comparable weeks basis. During the quarter, the Company opened six new Cracker Barrel Old Country Store units and closed two units.

#### **Income from continuing operations**

Operating income from continuing operations of \$36.0 million was 6.2% of total revenue during the first quarter of fiscal 2008 compared with \$38.3 million, or 6.9% of total revenue, in the first quarter of fiscal 2007. Operating income from continuing operations for the first quarter of fiscal 2008 compared with the first quarter of fiscal 2007 was negatively affected by higher labor and related expenses, including the effect of minimum wage increases for tipped employees in several states, and higher group health expenses. Higher food costs were offset in cost of goods sold by lower retail markdowns. Other store operating expenses also were pressured by higher advertising expenses, including production costs, due to a TV advertising test. General and administrative expenses declined because of lower incentive compensation accruals in the first quarter of fiscal 2008.

After-tax income from continuing operations was \$14.0 million, or \$0.57 per diluted share, for the first quarter of fiscal 2008, compared with \$15.2 million, or \$0.45 per diluted share, for the comparable period of fiscal 2007. Diluted income per share from continuing operations reflected fewer shares outstanding compared with the comparable prior-year period as a result of share repurchases and the conversion and redemption of the Company's senior convertible notes.

Commenting on the first-quarter results, CBRL Group, Inc. Chairman, President and Chief Executive Officer Michael A. Woodhouse said, 'Although the restaurant and retail industries continue to face soft consumer demand, we are pleased that our comparable store restaurant traffic continues to outperform the full-service industry according to Knapp-Track(TM). Our comparable store retail sales, excluding the impact of reduced Porch Sale clearance events in the first quarter of fiscal 2008, were flat with last year's first quarter. Our new sales development programs are in the early stages and, as such, are not expected to make a meaningful contribution before the second half of this fiscal year. While we're encouraged that our television and radio advertising appear to be driving guest traffic and retail sales relative to a control group, it is too early to predict its potential for broader application at this time. To combat higher industry-wide labor costs, we have initiatives underway in the areas of staff deployment, new employee training and menu changes geared to streamlining food ordering and preparation. The goal is to enhance our profit potential on higher sales.'

On August 4, 2007, the first day of fiscal 2008, the Company adopted the Financial Accounting Standards Board's ('FASB') Interpretation No. 48 ('FIN 48'), 'Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109' ('SFAS No. 109'), which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109. As a result of the implementation of FIN 48, the Company recorded certain balance sheet adjustments to reflect adoption of the new standard. The adoption and implementation of FIN 48 in the first quarter did not have a material effect on the Company's first quarter tax rate.

On December 6, 2006, the Company announced that it had closed the sale of its subsidiary, Logan's Roadhouse(R) Inc. ('Logan's'). Logan's results and the related gain and expenses are classified in the Company's financial statements as discontinued operations. Including the results of discontinued operations, the Company's first quarter net income and diluted net income per share were \$13.9 million and \$0.57, respectively, compared with \$19.4 million and \$0.57, respectively, in the first quarter of fiscal 2007.

### **Fiscal 2008 Outlook Updated**

The Company urges caution in considering its current trends and the outlook disclosed in this press release. The restaurant industry is highly competitive, and trends and guidance are subject to numerous factors, risks and influences, some of which are discussed in the cautionary language at the end of this press release and others that are described in the Company's Annual Report on Form 10-K for the fiscal year ended August 3, 2007, which can be found on the Securities and Exchange Commission's website, sec.gov, and the Company's website, cbrlgrou.com. The Company disclaims any obligations to update disclosed information on trends or targets other than in its periodic filings with the Securities and Exchange Commission.

The Company commented that its outlook for fiscal 2008 reflects many assumptions, the accuracy of which is not yet known. Based on current trends and estimates, the Company presently expects fiscal 2008 total revenue to increase approximately 3% to 4% over revenues from continuing operations in fiscal 2007 (which included a 53rd week equaling \$46.3 million of sales). The revenue increase reflects the opening of 17 new Cracker Barrel units during the year, comparable store restaurant sales projected to be up 2% to 3% on a comparable weeks basis, including approximately 3.5% of menu pricing, and comparable store retail sales expected to be flat to up 2% compared to fiscal 2007 on a comparable weeks basis. The Company also presently expects fiscal 2008 operating income margin as a percent of revenues from continuing operations to be approximately 6.7% to 6.9% compared with 7.0%, excluding the effect of a 53rd week, in fiscal 2007. Commodity cost inflation for the year, with an estimated 70% of product needs for the balance of the year currently under contract, is expected to be 4% to 4.5%. Depreciation for the year is expected to be approximately \$60 million. Net interest expense is estimated at approximately \$60 million and diluted shares outstanding are expected to average 23.5 to 24 million. The Company presently expects its full year 2008 effective tax rate to be between 31.5% and 32.0%, with its second quarter effective tax rate to be comparable to the first quarter rate and its third and fourth quarter effective tax rates to be lower than the full year effective tax rate. Diluted income from continuing operations per share is currently projected to be in the range of \$3.00 to \$3.15 per share. The Company presently expects full year fiscal 2008 capital expenditures to be approximately \$95 million.

Commenting on the outlook, Mr. Woodhouse said, 'Owing to the expectation of continued pressure on consumer discretionary income, we have lowered our projected comparable stores sales growth for the remainder of fiscal 2008. However, we are encouraged by a strong beginning to the holiday retail shopping season, an improvement in restaurant sales and traffic in November versus the first quarter and continued favorable restaurant traffic trends versus Knapp-Track(TM). We are making changes in operations to improve efficiencies and reduce wait times for our dining customers, which are geared to drive traffic but also to offset the upward pressure on labor costs. At the same time, however, we are continuing our initiatives in new products, a simplified menu, advertising and in-store operational tests, all of which will affect our operating margins over the near term but are critical elements of our long-term sales and operating margin growth strategies. We enjoy strong brand recognition and loyalty with our core customers. Our new marketing programs are geared to make Cracker Barrel top of mind with local diners, offering a home-away-from-home experience for the entire family.'

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article30259.html>

© 1998 - 2007 Nevistas and the author.

Brought to you by Hotel News Resource

*Distribute your news on our Network*

See what all the buzz is about at:

[http://www.hotelnewsresource.com/Info-news\\_account\\_info.html](http://www.hotelnewsresource.com/Info-news_account_info.html)