

Cracker Barrel Old Country Stor (CBRL) Q2 FY2026 earnings call transcript

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Earnings call

Q2 revenue declined 7.9% year-over-year to \$874.8M, with comparable restaurant sales down 7.1% and traffic falling 10.1%. Despite ongoing headwinds, management cited sequential traffic improvement, cost savings, and targeted marketing as drivers for a gradual recovery, maintaining full-year adjusted EBITDA...

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Operator

0:00:00

Good day, welcome to the Cracker Barrel fiscal 2026 second quarter conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. 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

Director of Investor Relations

0:00:33

Thank you. Good afternoon, and welcome to Cracker Barrel's second quarter fiscal 2026 conference call and webcast. This afternoon, we issued a press release announcing our second quarter results. In this press release and on this call, we will refer to non-GAAP financial measures such as Adjusted EBITDA for the second quarter into January 30th, 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 pages of the press release include reconciliations from the non-GAAP information to the GAAP financials.

Adam Hanan

Director of Investor Relations

0:01:20

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.

Adam Hanan

Director of Investor Relations

0:01:58

Many of the factors that could affect the 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. 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 and CEO

0:02:26

Good afternoon, and thank you for joining us. Q2 total sales were \$874.8 million, and Adjusted EBITDA was \$38.2 million. Our entire team is executing our plan to, one, improve our operations, two, connect with guests through our menu, marketing, and value proposition, and three, deliver cost savings to improve profitability. We're gaining traction and are encouraged by some important guest metrics and green shoots around traffic, and we're energized in terms of driving improved performance. I'd like to start by thanking our store teams for their hard work every day. Operationally, we're pleased with the improvements we are seeing following the leadership changes we made in October. Our Google star rating, which over the long run is strongly correlated with traffic, was 4.28 in Q2. This represents the highest quarterly score since Q2 in fiscal year 2020.

Julie Masino

President and CEO

0:03:29

We've also seen gains in food taste, service, and value scores, all of which increased 4%-5% in Q2 compared to the prior year. These positive trends have continued into Q3. Additionally, we're making progress with turnover as we saw improvements in both our hourly and manager turnover trends, including a 10% improvement in management turnover in Q2 year-over-year. We view all of these metrics as important leading indicators and are confident that these gains will translate into improved traffic over time. Turning to our menu, our multi-pronged strategy continues to include bringing back guest favorites, introducing new offerings, enhancing quality, and leaning into value. We are incorporating elements from these tactics with each of our seasonal menus,

and all of this is being done with the overarching goal of improving guest satisfaction and driving traffic.



Julie Masino

President and CEO

0:04:31

We're continuing to reintroduce favorites, both to our core menu and as part of our limited time-only promotions. Our holiday menu promotion featured our Country Fried Turkey. This fan favorite continues to resonate with guests, we again sold out of product. In January, we reintroduced Hamburger Steak and Eggs in The Basket. With our spring menu that launched in mid-February, Sugar Cured Ham and Country Ham dinners returned to the core menu. We also brought back Carrot Cake as an LTO. We continue to use Front Porch Feedback, our guest feedback mechanism, there are more returning favorites in the pipeline. As we bring back items, we are doing so through the lens of improving taste, consistency, and ease of execution. We also continue to innovate and close menu gaps with the introduction of new items. In the fall, we added The Breakfast Burger.

Julie Masino

President and CEO

0:05:28

Topped with our signature Hashbrown Casserole, this delicious burger is the ultimate combination of country cooking and a breakfast for dinner entrée. Our spring menu provides additional examples. Guests have been asking for omelets and scrambles for years. We recently debuted our new Garden Scrambles and Farmhouse Scrambles. We also added Smoky Southern Salmon. This LTO offering provides a more premium, lighter fish option. Collectively, these items, both the new offerings and returning favorites, have been well-received. We've been particularly pleased with The Breakfast Burger and Carrot Cake, both of which have outperformed our expectations on preference. In addition to introducing items, we're also evaluating food quality improvements to existing offerings as part of our targeted efforts to drive greater guest satisfaction across the menu. We're testing improvements to several signature items and have additional tests planned in the coming months.

Julie Masino

President and CEO

0:06:32

Finally, as it relates to our menu, we're also leaning into value. We already have a strong everyday value foundation, which we've strengthened with our barbell pricing strategy, and we've been layering in new constructs and targeted promotional offers. This has allowed us to evolve the way that we talk about value by amplifying our communications around compelling price points to drive traffic while reinforcing affordability as a hallmark of the brand. This fall, we launched Meals for Two starting at \$19.99. This offer, available for dine-in on weekdays, includes two full-size entrées and one choice of shareable or dessert. We continue to evolve this platform, and we've seen a meaningful lift in guest preference since launch. Our approach to value also includes pulsing short-window offers to create urgency and trial.

Julie Masino

President and CEO

0:07:30

In the weeks leading up to Christmas, we ran a promotion for our free toy up to \$5 with the purchase of a kids meal. We were pleased with the results and impressed by the team's agility in quickly creating and implementing this offer. It delivered incremental margin dollars and contributed to outperformance of the toys category during the promo window. Our ability to connect restaurant and retail in a single experience is a real point of differentiation. We're exploring additional ways to capitalize on this advantage and believe that by lengthening the lead times for planning and execution, we can make these integrated promotions even more impactful. In fiscal 2025, we were pleased with the positive mix we delivered, and the team has been focused on developing menu enhancements to build margin while reinforcing our value proposition. We introduced several changes in January.

Julie Masino

President and CEO

0:08:25

For example, guests can now upgrade to three sides for a modest upcharge and add a soup and salad to their meal for just \$5. They could also choose bundled shareable duos and trios. Early results from these actions are encouraging as we've seen an improvement in our mix trend following these additions. Another important way we are driving traffic and delivering value is through our loyalty program, Cracker Barrel Rewards. After a little over two years since the program launched, we now have over 11 million members. They account for over 40% of tracked sales. That scale gives us a meaningful way to understand guest behavior and directly engage with guests to reinforce value and drive frequency. It's a tremendous benefit for guests and an increasingly important tool in improving traffic.

Julie Masino

President and CEO

0:09:18

Engagement in the program remains strong and traffic among loyalty members has held up better than non-members since August. From a marketing perspective, our guest connection strategy remains centered on food, value, and the heritage that makes Cracker Barrel distinct. Every campaign is designed with a clear objective: drive traffic and strengthen brand affinity. We are seeing early signs this is working, as evidenced by our improving traffic trends and the fact that our brand sentiment scores improved 2% over Q2 compared to Q1. As part of this, we have

deepened our storytelling and leveraged key partnerships to reinforce emotional connection, expand reach, and drive visitation. We continue to highlight our scratch-cooked food made with care through the Our Country Friends series on social media. We are emphasizing and expanding our long-standing commitment to the military community.



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Julie Masino

President and CEO

0:10:17

We again offered a complimentary Sunrise Pancake Special for military members on Veterans Day. This contributed to a strong traffic comp performance for the day. We also helped support 30 worthy veterans organizations throughout November. Most significantly, we launched an ongoing 10% military discount available all day, every day in both restaurant and retail. This discount is available through Cracker Barrel Rewards and is helping to drive continued growth in loyalty membership while also recognizing this important group. We are building on our efforts from the past year and continuing our successful partnership with Speedway Motorsports. We are once again sponsoring the Cracker Barrel 400 in May, as well as increasing our on-site activations at races across the country, which kicked off at Daytona last month.

Julie Masino

President and CEO

0:11:12

Last year, our partnership with Speedway Motorsports gave us cultural moments to amplify our story in ways that guests loved and that supported traffic and brand trust. We are looking forward to leveraging similar opportunities this year. We're also excited to feature our Campfire Meals platform again this summer. Campfire Meals is one of our strongest nostalgia anchors and a clear expression of Cracker Barrel, Americana, travel, and gathering. Turning to retail. As a reminder, Q2 is our biggest quarter for retail sales due to the holidays. Overall, our retail results remain pressured due to traffic, but we were encouraged by the guest response to our seasonal holiday assortment. We were also encouraged that retail attachment was flat versus prior year, given that it has generally declined in recent quarters and that our average order value increased slightly. We're excited about our upcoming assortment.

Julie Masino

President and CEO

0:12:11

Looking ahead, the team remains focused on effectively managing inventories, mitigating tariffs, and enhancing the shopping experience. Finally, in addition to our efforts to drive traffic by improving consistency of food and the guest experience, we are also focused on cost savings. In Q2, we continued the restructuring of our corporate office that began in Q1. We remain committed to returning G&A closer to historical levels as a percentage of sales and are continuing to closely manage our expense structure to protect our balance sheet. As we look ahead to the back half of our fiscal year, we are encouraged that we continue to welcome back more guests. Our number one focus is serving delicious food and delivering experiences guests love. We have a number of tactics to support this, and we're confident in our team's ability to execute.

Julie Masino

President and CEO

0:13:06

We're engaging our guests through our menu, messaging, and continued commitment to value. We're committed to operating with excellence, we're implementing actions to improve profitability, all to strengthen the business and to return to positive momentum. I'll now turn it over to Craig to review our results and discuss our outlook.

Craig Pommells

SVP and CFO

0:13:27

Thank you, Julie. Good afternoon, everyone. For Q2, we reported total revenue of \$874.8 million, which was down 7.9% from the prior year quarter. Restaurant revenue decreased 7.5% to \$694.3 million. Comparable store restaurant sales decreased by 7.1%, which included a traffic decline of 10.1%. From a monthly perspective, November and December traffic both declined between 10% and 11%. We were encouraged by the improvement in January, which declined 9%, including an approximately 50 basis points net year-over-year unfavorable impact from weather. Restaurant average check increased 3.4% and included pricing of 4.2%. Menu mix was negative, driven primarily by higher discounts. Off-premise sales were 23.6% of restaurant sales, which increased modestly over prior year.

Craig Pommells

SVP and CFO

0:14:49

Total retail revenue decreased 9.3% to \$180.5 million, and comparable store retail sales decreased by 9.2%. Moving on to our quarterly expenses. Total cost of goods sold in the quarter was 33.5% of total revenue versus 32.6% in the prior year. Restaurant cost of goods sold was 27.4% of restaurant sales versus 27.1% in the prior year. This 30 basis point increase was driven by higher waste, increased discounts, and commodity inflation, partially offset by menu pricing. Commodity inflation was approximately 1.3%, driven principally by higher beef, pork, and coffee prices, partially offset by lower poultry and dairy prices. Retail cost of goods sold was 56.8% of retail sales versus 53.4% in the prior year.



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Craig Pommells

SVP and CFO

0:16:06

This 340 basis point increase was primarily driven by higher tariffs and increased discounts, partially offset by pricing. Quarter-end inventories were \$180.3 million compared to \$173 million in the prior year. Labor and related expenses were 36.1% of revenue compared to 34.4% in the prior year. This 170 basis point increase was primarily driven by sales deleverage and lower productivity. Wage inflation was approximately 2%. Other operating expenses were 24.8% of revenue compared to 23.2% in the prior year. This 160 basis point increase was primarily driven by sales deleverage and higher store occupancy costs, including increased maintenance spending, which was in part due to elevated snow removal costs.

Craig Pommells

SVP and CFO

0:17:18

Adjusted general and administrative expenses were 4.9% of revenue and exclude \$2.6 million in expenses related to the proxy contest and a \$2.6 million corporate restructuring charge related to organizational and leadership structure changes. Compared to the prior year, adjusted general and administrative expenses improved 60 basis points, primarily driven by lower incentive compensation and cost savings initiatives, including the corporate restructuring. Our GAAP financial results include a non-cash store impairment charge of \$400,000 related to Maple Street stores. Net interest expense was \$4 million compared to net interest expense of \$5 million in the prior year. This decrease was primarily the result of a lower revolver balance and a higher convertible debt balance. Our GAAP income taxes were a \$4.9 million credit, and adjusted income taxes were a \$3.5 million credit.

Craig Pommells

SVP and CFO

0:18:39

GAAP earnings per diluted share were \$0.06, and adjusted earnings per diluted share were \$0.25. Adjusted EBITDA was \$38.2 million, or 4.4% of total revenue, compared to \$74.6 million, or 7.9% of total revenue in the prior year. Turning to capital allocation and the balance sheet. Our balance sheet remains strong and we continue to have ample access to liquidity. We ended the quarter with \$531.5 million in debt, compared to \$471.5 million in the prior year. At quarter end,

our consolidated senior debt to Adjusted EBITDA leverage ratio was 0.3, which is below the maximum allowed of 3.0. In the second quarter, we invested \$26.6 million in capital expenditures.

Craig Pommells

SVP and CFO

0:19:46

I also want to note that in our third quarter, we expect to record a net cash benefit of approximately \$46 million following the settlement of certain litigation matters. This amount will be included in the calculation of EBITDA, as defined by the credit agreement for purposes of calculating applicable ratios for debt compliance and borrowing capacity. However, we expect that it will be excluded from the calculation of reported Adjusted EBITDA to enhance comparability to our Adjusted EBITDA results across periods. Before sharing our annual outlook, I want to provide some context on current trends and how variability between last year's third and fourth quarters are expected to affect comparisons for the remainder of fiscal 2026. If you recall, in the third quarter of fiscal 2025, traffic declined 5.6%, in large part due to weather and macroeconomic factors.

Craig Pommells

SVP and CFO

0:20:55

That was our lowest traffic performance of the year. As a result, we have an easier comparison in this year's Q3. Having said that, we are pleased that our traffic trend in February further improved on January's results. Regarding Q4, traffic in fiscal 2025 declined 1%, a significant step up from our third quarter. As a result, we will have a more challenging map in the fourth quarter. Turning to our fiscal 2026 outlook. Our guidance reflects our best estimate as of today. The rate and level of our traffic recovery, as well as the level of investment required, remain key drivers of our fiscal 2026 EBITDA performance. As outlined in our press release, we anticipate the following for fiscal 2026.

Craig Pommells

SVP and CFO

0:21:51

Total revenue of \$3.24 billion-\$3.27 billion, pricing of approximately 4% and lower menu mix resulting from higher discounts, commodity inflation of 2%-2.5% and hourly inflation of 2.5%-3%. As discussed on the last call, we've implemented a number of cost savings measures. We executed a corporate restructuring that began in Q1 and continued in Q2, which we expect will result in annualized G&A savings of \$20 million-\$25 million. Additionally, we have reduced our advertising spend and anticipate that our aggregate advertising spend in the second half of the year will be \$13 million-\$17 million lower than the same period in the prior year, reflecting a more targeted approach to our advertising.



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Craig Pommells

SVP and CFO

0:22:55

Taking all of the above into account, we now anticipate full year Adjusted EBITDA of approximately \$85 million-\$100 million. Finally, we are now planning for lower capital expenditures of \$105 million-\$115 million, this reduction is part of our comprehensive efforts to manage cash flow and the balance sheet. With that, I'll now turn the call back over to Julie for a few closing remarks.

Julie Masino

President and CEO

0:23:26

Thanks, Craig. I want to wrap up by reiterating that all of the initiatives I described across operations, menu, and marketing are part of our focus on consistently delivering delicious, flawless food, improving guest satisfaction, and driving traffic. We're highly encouraged by the green shoots we're seeing, particularly the strong gains in the guest experience metrics I mentioned. Looking ahead, we know that consistently executing at a high level is imperative for our recovery and the entire organization is aligned to support this. Before we go to Q&A, I want to thank our team members around the country. I'm so proud of their hard work and commitment to the guest experience. I'm confident that our continued focus on food and the guest experience will enable us to return to positive momentum. Operator, we can now hand it over for Q&A.

Operator

0:24:21

Thank you. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. The first question comes from Dennis Geiger with UBS. Please go ahead.

Dennis Geiger

Executive Director of Equity Research

0:24:43

Great. Thanks, guys. I wanted to start off by asking a bit more about the quarter to date commentary. Just given all the moving pieces and the importance of traction against the plans that you have in place. I think specifically the comment was improvement quarter to date. I was curious if that was sort of Craig, on a one-year basis you were referring to that, if you are seeing continued traction and an underlying trend improvement. Anything else on kind of the latest and greatest as it relates to where trends, traffic trends are and how you'd kinda size up traction against plans so far?

Craig Pommells

SVP and CFO

0:25:18

Hi, Dennis. Yeah, we do believe the underlying trend is gradually improving. As we shared, January did better than November and December, and that included some weather, as you know, at the end of the month. We're encouraged by an even better start to February. We did, you know, try to kinda balance all of that, just recognizing that February in the prior year was a bit softer due to some weather as well as some macro issues. You know, we feel like the underlying trend of the business is gradually improving.

Dennis Geiger

Executive Director of Equity Research

0:25:56

Great. Then, as a follow-up, encouraging to hear about the improvement in the brand sentiment scores as well as the strength in that Google stars rating. Perhaps, Julie, using those metrics and any others that are relevant, can you give us any better sense for how those metrics sort of help you assess where you are in the recovery process as we try and get a better sense for sort of the leading indicators, you know, sort of ahead of further traffic improvement?



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Julie Masino

President and CEO

0:26:24

Thanks, Dennis. Again, we are really encouraged by the improvement in everything you mentioned, Google star rating, the brand sentiment, our food and value scores, as well as just the way the teams are really executing. Being in our restaurants is just they feel so good right now. I'm in a lot and talking to guests, talking to our team members, and I feel like we are just at our

best, more than we have been in a while. That said, you know, we're moving in the right direction. As I've said to you guys in the past, I don't have a crystal ball, and we don't have a correlation that says when scores improve by X, traffic follows by Y, weeks or months.

Julie Masino

President and CEO

0:27:07

We don't know that. We know these are leading indicators. We've checked all correlations. They still correlate to same-store sales growth and improvements. We know we're headed in the right direction, and everybody's working hard to make that a reality.

Dennis Geiger

Executive Director of Equity Research

0:27:21

Thank you, guys.

Operator

0:27:25

The next question comes from Jon Tower with Citi. Please go ahead.

Jon Tower

Equity Research Analyst

0:27:31

Great. Thanks for taking the question. You know, Julie, you had mentioned earlier that, you know, you're starting to do things a little bit differently, it sounds like on the marketing front. I know, Craig, you had mentioned that in the back half of the year, you're expecting a lower spend in terms of advertising. So I'm curious, you know, what tools you're using to ensure that, you know, consumer awareness remains high, as the advertising spend drops lower in the back half of the year. Can you maybe dig into the exact tactics that you're going into, particularly on social and digital, to kinda draw in, either new or lapsed guests back to the brand?

Julie Masino

President and CEO

0:28:11

Sure. Hi, Jon. I'm probably not gonna lay everything out the way you asked specifically, but, as you know, driving traffic is about much more than just advertising. We have really spent the last year building out audiences, really going after the specific ways to reach them and the channels that are most relevant to them. We have a holistic plan to really reach them in those channels to bring them back and build their trust. It is targeted, it is nuanced, and then there is some broad-based media that really just gives us reach across that. As Craig has shared, we have been disciplined about our marketing spend given the current environment because, as you know, we spent a lot more in Q1 and Q2, and that really hasn't manifested in traffic.



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Julie Masino

President and CEO

0:28:57

We're actively testing messaging, we're testing offers, campaign constructs, really through our loyalty member base to really make sure that they're gonna work and get after the right people. That's really the last thing I'd leave you with is loyalty is a great way for us to reach guests. We've been using that to really refine messaging, try out offers, test some different messaging constructs with different, you know, we've got different segments within our loyalty population and making sure that we're really talking to them about what they wanna hear from us. Some people wanna hear more about food, some people wanna hear more about retail, some people wanna hear about the holidays. We've really tried to dial that in an effort to meet them where they are and welcome them back.

Jon Tower

Equity Research Analyst

0:29:42

Got it. Maybe Craig, this one on the tariff outlook. I know there's quite a bit of fluidity in terms of what's happening now. I believe in the last call you'd mentioned about fiscal 2026, there was about a \$24 million or so incremental impact on the business from tariffs. Has that changed?

Craig Pommells

SVP and CFO

0:30:03

Hi, Jon. Well, you said it right. It is dynamic. The tariff environment is changing. As you know, there's relatively new news out there. Maybe just a couple things on the dollar impact. You know, in part there's a component there of traffic and retail sales that will impact the absolute dollar impact. I think, you know, the team continues to do a really good job here. It is also kind of late breaking and evolving. We do expect it to be a smaller tariff impact a little bit this year. There are a couple things. The rate change is not actually as big as it might seem in theory. Additionally, the impact to us really needs to flow through the supply chain.

Craig Pommells

SVP and CFO

0:30:48

We have to receive the product, warehouse it, send it to our stores and then ultimately sell it. There is a lag with all of that, and the rate change is a bit more modest. More to come in the future on that one.

Jon Tower

Equity Research Analyst

0:31:04

Okay. Thank you. I'll pass it along.

Operator

0:31:09

The next question comes from Jake Bartlett with Truist Securities. Please go ahead.



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Jake Bartlett

Senior Equity Research Analyst

0:31:15

Great. Thank you so much. My first question was just to make sure I understand the guidance for traffic. You know, before you had talked about 8%-10%, -8% to -10% for the year. I'm wondering if that's still the case. Maybe if you could be a little more specific about what you expect in the back half and what that implies. Maybe you'd share whether you expect to be on the higher or low end of that range or something like that. Then I have a follow-up.

Craig Pommells

SVP and CFO

0:31:42

Hi, Jake. In terms of the back half, I think the key takeaway for us here is we're thinking about what we're comping on and what happened in the prior year. As we share, you know, Q3 was a bit of a challenge last year. We had some kind of broad-based macro issues to start out the quarter. Q4 picked up a lot. You know, we had, you know, positive dinner traffic in Q4. We were very pleased with that with the bring back of the Campfire Meals campaign. As we comp over, you know, an easier, a relatively easier Q3, we expect that to be a little bit of an assist.

Craig Pommells

SVP and CFO

0:32:20

As we comp over what we expect to be a bit more challenging of a Q4, we expect that to be a little bit of a headwind. In terms of traffic, not a lot of movement there. You know, that Q4 dynamic is still, you know, pretty unknown. I mean, we are, we've shared what we think there, but our thinking right now is in the full year, we would expect traffic to be somewhere in the neighborhood of -8.5% to -9.5%.

Jake Bartlett

Senior Equity Research Analyst

0:32:49

Got it. Great. You know, it was encouraging to see the brand sentiment improvement versus pre-August. I'm wondering if you can share how far you are from the, you know, from what it was, you know, pre or maybe how much you have to go, to see the, you know, to kind of get back to normal, or kind of pre-August, pre-rebranding. I'm also wondering whether you can share whether there's different, sentiment from cohorts, you know, of your customers. I'm wondering about, local, versus non-local travelers, and maybe some of the implications that could have as the summer travel business becomes a larger part of your business, in the fourth quarter.

Julie Masino

President and CEO

0:33:31

Yeah. Hey, Jake. I'll start with that one. Maybe Craig will have an assist. I don't know. We'll see. There was a lot in there. Let's see. We have not shared where we were prior to August. I think that is probably not a place I can go right now. We are seeing improvements there. We are a little bit below sort of the average for casual at the moment, really working to claw that back and improve our trends there. Again, we are pleased with the progress that we're making. You kind of hit the nail on the head a little bit.

Julie Masino

President and CEO

0:34:05

The way we're doing that, it's a little bit in my answer to Jon's question as well, we're really segmenting our loyalty audiences by what we know about them, how they shop with us, what they want to hear from us. We've done a lot of research, as you can imagine, in the last six months, talking to them about their feelings and what they want to hear from us and what they want to see from us. We're really using that learning to welcome them back. Those messages are different based on who you are in our loyalty program and what you have said matters to you and how you shop with us and whether you're a breakfast customer or whether you're a dinner customer and whether you're a retail customer.



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Julie Masino

President and CEO

0:34:44

You know, all of those things we're using, again, to meet you where you are and to welcome you back with open arms. We're really pleased with the progress we're making. We've got some ways to go, but we're starting to unlock that and feel good about that.

Craig Pommells

SVP and CFO

0:34:57

In terms of the traffic composition, maybe the only thing I would add is that the traffic coming from our loyalty program is holding up well. We're pleased with that, and that's encouraging because we've have such a large base there. We've been investing behind that for a long time. We're gonna continue to utilize and leverage those capabilities.

Jake Bartlett

Senior Equity Research Analyst

0:35:21

Got it. If I could just sneak one more in, and I apologize for this, but your guidance for EBITDA and the margins, you've taken down your inflation guidance for commodities and for labor. You're talking about lowering and spending much less in marketing year-over-year. You beat in the second quarter, but your overall annual guidance didn't change very much. I guess, are there some offsets that some costs that you hadn't anticipated that you think you're gonna incur or, you know, I guess, I'm trying to kind of get at, you know, to what level, to what degree this might be conservative?

Craig Pommells

SVP and CFO

0:35:54

It's if we did move up the bottom end of the range, a fair bit and, you know, the Q4 dynamic is a bit of, you know, an open question mark. I think all of that factors into our thinking.

Jake Bartlett

Senior Equity Research Analyst

0:36:11

Got it. Thank you.

Craig Pommells

SVP and CFO

0:36:13

You're welcome.

Operator

0:36:15

The next question comes from Sara Senatore with Bank of America. Please go ahead.

Sara Senatore

Managing Director and Senior Equity Research Analyst

0:36:21

Hi. Thanks. I have a question and then maybe a couple follow-ups or clarifications. First on the kind of demand environment, you know, obviously hearing a lot about gas prices potentially spiking. I know in the past we've talked about, you know, Cracker Barrel having, some, you know, relatively high perhaps exposure to people who are traveling or coming from other zip codes. I was just curious if, you know, you could speak to that and perhaps any kind of historical correlation. Like I said, just maybe one quick clarification.

Craig Pommells

SVP and CFO

0:36:54

Hi, Sara. On the gas prices in particular, we've looked at this a couple different times. Pre-COVID, gas prices did have a really strong relationship to traffic. More recently, we focused more on disposable income because that has been a little bit more impacted with all of the other moving pieces in people's spending. You know, gas prices are obviously one input into that. Potentially if gas prices are up, that could be a negative. As an example, going the other direction is, the tax refunds are expected to be higher this year than they were in the prior year. The, you know,

retirees also have a larger deduction this year. There are multiple moving pieces that flow into the disposable income.

Craig Pommells

SVP and CFO

0:37:47

You know, we have a bit more exposure to travel, which exposes us to gas, but we also have more exposure to folks that are over 65 and they are likely to have a benefit as well from the tax changes.

Sara Senatore

Managing Director and Senior Equity Research Analyst

0:38:00

Okay, thank you. I'll actually ask a clarification on this and then follow up later with the other questions. Just in terms of, you know, to your point, I guess tax refunds also, though, you know, those typically benefit kind of upper or higher income consumers. I guess have you maybe talked about your income exposure? I guess there's the perception that perhaps your customer base is, you know, maybe skews a little bit lower income. You know, I guess as I think about the puts and takes, you make a good point, but just ask from an income perspective.

Craig Pommells

SVP and CFO

0:38:33

It's a good question. We have our income exposure is pretty close to average, maybe a little bit lower than average, but not dramatic. In this case, I do think, you know, this particular tax environment is different. You know, folks that are retirees, they do get a larger benefit. There are a lot of moving pieces as you think about disposable income this year, a little bit more so than in the past.



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Sara Senatore

Managing Director and Senior Equity Research Analyst

0:39:04

Okay, thank you so much.

Operator

0:39:09

Once again, if you have a question, please press star then one. The next question comes from Todd Brooks with Benchmark StoneX. Please go ahead.

Todd Brooks

Managing Director and Senior Analyst

0:39:19

Thanks for taking my questions and congrats on a nice quarter. It's good to see. Wanted to dig in. I mean, we all see kind of the weekly sales and traffic data. If I look across like the last eight to 10 weeks, we've seen a pretty material step up in traffic as far as the drag kind of post August was in that down 10% range give or take. Recently it feels like it's more in the down mid-single digit range. I'm wondering with your data and how well you can track and measure your customers, do you sense this is the displaced customer coming back that's causing most of this lift?

Todd Brooks

Managing Director and Senior Analyst

0:40:03

Is it a function of what you're doing against loyalty and promoting to those customers that maybe you didn't really lose post August and just getting them in the restaurant more frequently, I guess? What's the data telling you, Julie, for where this traffic lift's coming from?

Julie Masino

President and CEO

0:40:20

Sure. Hi, Todd, thank you for the congrats. We're proud of the quarter. Everybody's working hard. We've got a ways to go, but we're getting after it. With respect to your question about the lapsed guest, what I think is probably the best thing to share with you is that we've really been working on those loyalty guests, and we are encouraged that a percentage of our highest value loyalty guests, that the percentage of those people who visited us in Q2 was consistent with our historical levels. We're retaining them and that's really, really important to us. We also were able to capture a meaningful percentage of lapsed guests that we hadn't seen in Q1 that came back in Q2.

Julie Masino

President and CEO

0:41:04

That, again, sort of to Jon's question and Jake's question, you know, how we're really targeting some of those people. We're seeing movement there, and that feels good to us, because obviously increasing frequency with people that know us, and are already in our ecosystem is really important to us. We're using Front Porch Feedback. Again, I told you we've done some

research to really reach out to them and figure out what's meaningful to them and make sure that we're delivering on that. Again, just executing really well. You're an operator you know when we're operating well and giving great experiences and delicious hot food like that's really the key thing there.



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Julie Masino

President and CEO

0:41:41

In terms of, people that we've lost, you know, we did see a lot of new people come into the business with Campfire Meals last Q4. Some of those people have not returned back to us. We're working on casting a net to get those people back into the business.

Todd Brooks

Managing Director and Senior Analyst

0:41:57

That's great. Thanks. If I can squeeze one more in, it wouldn't be...

Julie Masino

President and CEO

0:42:03

Sure, Todd.

Todd Brooks

Managing Director and Senior Analyst

0:42:03

A-a cute-

Julie Masino

President and CEO

0:42:03

I mean, everybody else did too. You might as well. Yeah.

Todd Brooks

Managing Director and Senior Analyst

0:42:07

Okay, thanks. If we can talk about holiday meal performance, I know the strategies maybe even changed to better balance profitability versus sales. I guess if you could review how holiday meal performed during the quarter, is that behind any of the improvement or maybe less bad, restaurant cogs than maybe what some of us were expecting and just how that overall offering resonated at holiday?



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Julie Masino

President and CEO

0:42:34

Sure. We did a little bit on the last call 'cause it was right after Thanksgiving. Look, gosh, November feels like a long time ago, but really we built on the learnings from last year 'cause if you remember Q2 of 2025 was a really strong performance for us, and we had spent a lot of time really restructuring that business, especially from an operations standpoint, to make sure that we were delivering great experiences for our guests as well as our team members and making sure that we weren't overspending on labor and all of those things. We took those learnings into this year, really simplified the operations, made sure we had great guest experience.

Julie Masino

President and CEO

0:43:11

We were proud of the metrics. We did almost \$110 million in sales on Thanksgiving week, which was a big week for us. Thanksgiving traffic was in line with the rest of the month. It didn't crazily outperform or anything like that. We were pleased with the performance. We were pleased that people invited us into their homes for Thanksgiving and that they celebrated with us in the restaurants, all leading to that \$110 million in that week.

Todd Brooks

Managing Director and Senior Analyst

0:43:41

Okay, great. Thanks.

Operator

0:43:45

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

Julie Masino

President and CEO

0:43:54

Thank you for joining us today. We're encouraged by the improvements we've seen in key guest experience metrics and in our traffic trend. We remain confident that the plan we are executing will drive improved performance. Lastly, I want to again express my gratitude to our over 70,000 team members who remain focused on delivering an exceptional guest experience every shift, every day. Thank you.

Operator

0:44:20

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



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