

CRACKER BARREL OLD COUNTRY STORE, INC
Form DEFA14A
October 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Cracker Barrel Old Country Store, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

On October 25, 2012, after 5:30 p.m. Eastern Time, representatives of Cracker Barrel Old Country Store, Inc. (the Company) delivered the following presentation to Institutional Shareholder Services. This letter was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crackerbarrel.com.

Fall 2012
On the Right Track, Generating
Exceptional Performance

**WHY wE
BELIEVE sARDAR BIGLARI IS
wRONG**

FOR
THIS BOARD

1
IMPORTANT ADDITIONAL INFORMATION
Cracker
Barrel
Old
Country
Store,

Inc.
(the
Company)
urges
caution
in
considering
current
trends
and
earnings
guidance
disclosed
in
this
presentation.
Except
for
specific
historical
information,
matters
discussed
in
this
presentation
are
forward
looking
statements
that
involve
risks,
uncertainties
and
other
factors
that
may
cause
actual
results
and
performance
of
the
Company
to
differ
materially

from
those
expressed
or
implied
in
this
discussion.

All
forward-looking
information
is
provided
pursuant
to
the
safe
harbor
established
under
the
Private
Securities
Litigation
Reform
Act
of
1995.

More
detailed
information
on
risks,
uncertainties,
and
other
factors
is
provided
in
the
Company's
filings
with
the
Securities
and
Exchange
Commission,
press

releases
and
other
communications.

Cracker
Barrel,
its
directors
and
certain
of
its
executive
officers
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
from
Cracker
Barrel
shareholders
in
connection
with
the
matters
to
be
considered
at
Cracker
Barrel's
2012
Annual
Meeting.
On
October
4,
2012,
Cracker
Barrel
filed

a
definitive
proxy
statement
(as
it
may
be
amended,
the
Proxy
Statement)
with
the
U.S.
Securities
and
Exchange
Commission
(the
SEC)
in
connection
with
any
such
solicitation
of
proxies
from
Cracker
Barrel
shareholders.
INVESTORS
AND
SHAREHOLDERS
ARE
STRONGLY
ENCOURAGED
TO
READ
THE
PROXY
STATEMENT
AND
ACCOMPANYING
PROXY
CARD
AND
OTHER

DOCUMENTS
FILED
WITH
THE
SEC
CAREFULLY
AND
IN
THEIR
ENTIRETY
WHEN
THEY
BECOME
AVAILABLE
AS
THEY
WILL
CONTAIN
IMPORTANT
INFORMATION.

Detailed
information
regarding
the
identity
of
potential
participants,
and
their
direct
or
indirect
interests,
by
security
holdings
or
otherwise,
is
set
forth
in
the
Proxy
Statement,
including
Annex
A
thereto.

Shareholders
can
obtain
the
Proxy
Statement,
any
amendments
or
supplements
to
the
Proxy
Statement
and
other
documents
filed
by
Cracker
Barrel
with
the
SEC
for
no
charge
at
the
SEC's
website
at
www.sec.gov.
Copies
will
also
be
available
at
no
charge
at
the
Investor
Relations
section
of
our
corporate
website

at
www.crackerbarrel.com.

2

I.

Executive Summary

II.

Delivering on our Six Priorities

III.

Driving Best-in-Class Results

IV.

Why We Believe Sardar Biglari is Wrong for This Board

Appendix

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I. Executive Summary

4

Improve same store sales
and traffic trends

Accelerating same store sales
growth in last three quarters with Q4
traffic up 1.4%

Cut costs and leverage fixed

costs to enhance profitability
FY 2012 operating margin growth of
50 bps

Reconfigure the Board with
new members bringing a
fresh perspective

7
new
board
members
1

,
including
a

Fill in key management
positions to enhance
functional capabilities

Revitalized
leadership

five
senior
executives new to Cracker Barrel or
serving in new positions since
January 2011

Develop a long-term plan to
maintain operating
momentum

Same store sales outperforming
casual dining peers in Knapp-

Track
for three consecutive
quarters

WHAT WE HAVE ACCOMPLISHED IN THE PAST YEAR

Delivering on the Company's Promises

(1)

Changes to board since 20-Jun-2011.

(2)

As announced on 6-Aug-2012, to be effective following Michael A. Woodhouse's retirement in early November 2012.

new
independent
Chairman

2

5

CBRL STOCK PRICE HAS INCREASED SIGNIFICANTLY

Since Announcement of Our Strategic Priorities We Have Delivered
Outstanding Shareholder Returns

Source: Bloomberg, public filings, Company press releases, and IBES

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011. Please see Appendix
GAAP basis operating results to adjusted non-GAAP operating results.

(1) Figure used for comparability to IBES estimates is GAAP basis, earnings per diluted share of \$1.47. When adjusted for the in FY

12 and certain charges in the current and prior year, adjusted earnings per diluted share were \$1.20.

68.4% INCREASE

\$30

\$40

\$50

\$60

\$70

2011

Nov-

2011

Jan-

2012

Mar-

2012

May-

2012

Jul-

2012

Sep-

2012

CBRL reports 1Q12 EPS of \$1.09 excl. proxy costs, 4.8% higher than analyst expectations

2011

A majority of shareholders vote for CBRL's slate of directors

CBRL reports 3Q12 EPS of \$0.86 excl. proxy costs, 16.2% higher than analyst expectations

\$39.86

CBRL reports 4Q12 EPS of \$1.47, 13.1% higher than analyst expectations

26-Apr-

2012

CBRL hosts Analyst and Investor Day reviewing strategic initiatives

21-

Feb-

2012

CBRL reports 2Q12 EPS of \$1.20 excl. proxy costs, 5.3% higher than analyst expectations

13-

Sep-
2011

New CEO Sandy
Cochran announces
strategic priorities

Sep-
Nov-2011

Dec-
-May-
2012

Sep-
2012

1
22-
20-
22
19-
\$67.11

Daily from 12-Sep-2011 to 28
-Sep-2012

6

Since December 2011 Proxy Vote²

Since Announcement of Our Strategic Priorities¹

CBRL HAS SIGNIFICANTLY OUTPERFORMED ITS PEERS

No Matter What Benchmark You Use, CBRL Has Outperformed

Cracker Barrel

Peer Set

S&P 500 Restaurant Index

S&P 600 Restaurant Index
S&P 1500 Restaurant Index
S&P 500 Index

90%
100%
110%
120%
130%
140%

Daily from 20-Dec-2011 to 28-Sep-2012

36.4%
25.8%
21.9%
16.1%
3.1%
1.0%
90%
100%
110%
120%
130%
140%
150%
160%
170%

Daily from 12-Sep-2011 to 28-Sep-2012

68.4%
35.1%
34.8%
17.8%
15.4%
24.0%

(1)
12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

(2)
20-Dec-2011; date of CBRL's 2011 Annual General Meeting, proxies voted.

Source: Bloomberg

Note: Peer set includes BH, BOBE, EAT, CAKE, DRI, DENN, RT, TXRH. S&P Restaurant Index includes the restaurant companies in the S&P Restaurant Index: MCD, SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, RT, RUTH, SONC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, CBRL, DRI, DIN, JACK, MCD, PNRA, PZZA, PEET, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM.

7

**OUR SHAREHOLDERS HAVE BENEFITED FROM OUR
PERFORMANCE AND RETURN OF CAPITAL POLICIES**

(\$ in millions)

Source: Public filings and Bloomberg

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

\$ 663.5

\$22.4
\$915.8
\$14.9
\$1,616.6
CBRL Equity
Market Cap.
Total
Shareholder
Value
12-Sep-2011
Increase in
CBRL Equity
Market Cap.
28-Sep-2012
Increase in
CBRL Equity
Market Cap.
= \$700.7
FY 2012
Dividends Paid
FY 2012
Shares Repurchased
28-Sep-2012

8

WE BELIEVE THIS VALUE CREATION RESULTS FROM
SUCCESSFUL EXECUTION OF OUR STRATEGIC PRIORITIES

Source: Public filings

Note: Announcement of Strategic Priorities on 13-Sep-2011.

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

Comparable Restaurant

Traffic

(4.2)%

(3.8)%

1.1 %

0.6 %

1.4 %

Average Check

2.8 %

2.2 %

2.4 %

2.5 %

2.4 %

Comparable Restaurant

Sales

(1.4)%

(1.6)%

3.5 %

3.1 %

3.8 %

Comparable Retail Sales

(0.7) %

(1.3)%

3.4 %

0.3 %

3.1%

Our Customers Have Responded to Focus on Menu, Marketing, and Execution

Announcement

of Our Strategic

Priorities

9

WHY WE ARE HERE AGAIN

Despite losing by a significant margin in last year's proxy fight, Sardar Biglari remains inexplicably insistent in his campaign against Cracker Barrel. Why do we say inexplicably?

Because of all we accomplished over the past year
What would Biglari have done differently?

We don't know
he hasn't raised specific new ideas or suggestions to
management
or
the
Board,
despite
having
many
opportunities
to
do
so
We
believe
Sardar
Biglari
has
a
conflict
of
interest,
a
history
of
creeping
control
that
is not in the best interest of shareholders, and a questionable track record on
corporate governance
Despite being offered two independent seats (for the second year), he turned the
offer down

Biglari refuses to consider any settlement offer unless he is personally appointed to
the Board

Our shareholders determined he was not right for the Board last year

We agreed and believe he is not right for the Board this year either
This discussion should be about the business and who's got it on the right path

II. Delivering on our Six Priorities

11
New marketing messaging
Reinforce Authentic Value
Refined menu and pricing
Increase Variety & Everyday Affordability
Enhanced restaurant operating
platform

Sustainably Improve the Guest
Experience

Innovative tactics driving retail
sales growth

Deliver Value & Connection With the
Brand

Focused cost reduction

Offset Commodity Pressures and Other
Costs

Balanced approach to capital
allocation

Enhance Shareholder Value

WHAT WE TOLD YOU WE DID DO 12 MONTHS AGO

Key Priorities

Objectives

12
(4.2%)
(3.8%)
1.1%
0.6%
1.4%
Q4

2011

Q1

2012

Q2

2012

Q3

2012

Q4

2012

NEW MARKETING MESSAGE

Hand Crafted by Cracker Barrel

Source: Public filings

Launched

national

cable

advertising

for

the

first

time,

focusing

on

brand building during the busiest seasons (Q2 & Q4)

Utilized radio advertising to promote products and value

Leveraged billboards to support travel business

Hired new advertising agency Havas Worldwide (formerly known as Euro RSCG Worldwide)

Continued Investment in Billboards

First National Television Campaign

Comparable Restaurant Traffic

13
REFINE MENU AND PRICING
Guest
Satisfaction
Results
Show
Overall

Value

Scores

at

Historic

Highs

Launched salad refresh as part of the
summer seasonal promotion

Feature salad, including dressing
and crackers, under 600 calories

Exceeded expectations for mix and
guest satisfaction

2

Better-

For-You

Daily

Lunch

Specials

Highlighted an attractive \$5.99 price point

Drove week-day lunch traffic

Reinforced value perception across all day-parts

14
(1)
Source:
Nation's
Restaurant
News
and

WD
Partners,
2012
Consumer
Picks
family
dining
segment
survey.

(2) Weighted by attribute importance.

(3) 100-149 responses.

3
During the year, received all-time company high scores in nine categories on the guest feedback program

For the second year in a row we have received top honors in the family dining segment of the Consumer Picks survey

conducted
for
Nation s
Restaurant
News
magazine

Past Year s Focus on Guest Experience Has Driven Significant Improvements to Guest Satisfaction

Overall Satisfaction
Intent to Recommend
Overall Value

ENHANCE RESTAURANT OPERATING PLATFORM

July-2011

July-2012

70.0%

71.0%

July-2011

July-2012

59.1%

61.1%

Rank ¹

Chain

Score ²

1

Cracker Barrel Restaurant and Old Country Store

70.3%

2

Marie Callender's ³

62.1

3

Bob Evans Restaurants

61.2

4

The Original Pancake House ³

59.7
5
IHOP
53.5
6
Steak N Shake
52.1
7
Village Inn
51.9
8
Perkins Restaurant & Bakery
51.5
9
Big Boy
50.2
10
Friendly s Ice Cream
47.5
11
Shoney s
45.5
12
Huddle House ³
44.8
13
Denny s
43.9
14
Waffle House
41.4
July-2011
July-2012
69.7%
70.6%

15

INNOVATIVE TACTICS DRIVING RETAIL SALES GROWTH

Game Plan for Growing Retail Sales

Source: Public filings

Quarterly Retail Same Store Sales

4

Merchandising

Strategy

Support the restaurant
by reinforcing the
emotional connection to
the Brand
Be a destination retailer
for specific occasions
and drive traffic for the
restaurant

+

Unique
Nostalgic
Seasonal
Everyday Needs

April-2012: Appointed new SVP of
Retail, Laura Daily

(0.7)%

(1.3)%

3.4%

0.3%

3.1%

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

16
FOCUSED COST REDUCTION
Source: Public filings
(1)
Adjusted
for
53

rd
week
in
FY 12,
proxy
contest
expenses,
severance
and
restructuring
charges.
Please
see
Appendix
for
reconciliation
of
GAAP basis operating results to adjusted non-GAAP operating results.

5

Improving Productivity of the Box
Margin and Process Improvement
Eliminating Annual G&A and Labor Expenses
April-2012: Realigned field leadership
July-2011: Restructured home office
Labor Management System
Improves direction of weekly training, productivity,
and execution
Hourly wage expense down 50bps in Q4 2012
Transportation Management System
Improves efficiency in the distribution of retail
merchandise
Improved
Technology
Streamlined
Supply
Chain and
Purchasing
Increasing
Labor
Productivity
Enhanced
Operating
Systems
Leveraging Our Support Cost Base
Adjusted EPS & Operating Inc as % of Sales
FY 2011
FY 2012
\$3.81
\$4.34
FY 2011 Q4

FY 2012 Q4

\$1.01

\$1.20

FY 2011

FY 2012

6.9%

7.4%

1

17

BALANCED APPROACH TO CAPITAL ALLOCATION

6

Dividend Yield

Dividend Payout Ratio

2.1 %

3.0 %

3.6 %

2.8 %

2.3 %

2.1 %

1.3 %

0.0 %

0.0 %

0.0 %

CBRL -

One

Year Ago

CBRL

DRI

BOBE

EAT

TXRH

CAKE

BH

DENN

RT

Peer Median: 1.7%

20.5 %

46.1 %

54.6 %

45.6 %

40.8 %

38.3 %

27.6 %

0.0 %

0.0 %

0.0 %

CBRL -

One

Year Ago

CBRL

DRI

BOBE

EAT

TXRH

CAKE

BH

DENN

RT

Peer Median: 32.9%

2

3

Source: Bloomberg and public filings

Note: Market data as of 28-Sep-2012.

(1)

(2)

(3)

Calculated as latest annualized latest dividend per share divided by last twelve months reported diluted earnings per share. Adjusted earnings per share and / or diluted earnings per share from continuing operations used as disclosed.

CAKE

not

adjusted

for

impact

of

53

rd

week

in

FY 11

due

to

lack

of

disclosure.

Adjusted

for

53

rd

week

in

FY 12,

proxy

contest

expenses,

severance

and

restructuring

charges.

Please

see

Appendix

for

reconciliation

of

GAAP basis operating results to adjusted non-GAAP operating results.

1

III. Driving Best-in-Class Results

19

Sales Growth

~5%

Operating Income Growth

~8-10%

Earnings Per Share Growth

~12-15%

Total Shareholder Return

~15-18%

Decisive Action Driving

Total Shareholder

Return

BUILDING ON OUR RECENT SUCCESS

Continued focus on six business priorities

Focus on increasing average unit volume in existing stores

Increase retail sales with unique and nostalgic merchandise

Drive increased profitability in existing locations

Continued commitment to profitable new unit growth

Allocate capital in a way to maximize value

Extend the power of the brand beyond the physical store

Long term value creation through e-commerce & development of branded products platform

Focus on Operational Excellence in Existing Units AND

Profitable New Restaurant Growth

2012

2015 Strategic Plan

New store growth: 2-3% / per year; focus on most profitable growth, best locations, and flawless execution

20
ACCELERATION OF COMPARABLE RESTAURANT SAME STORE
SALES VS. KNAPP-TRACK
Three
Consecutive
Knapp-Track
Beats

in
FY
2012
Source: Public filings and Knapp-Track
Note:
Knapp-Track
Casual
Dining
Index
Comparable
Sales
figure
is
an
approximation
based
on
respective
weekly
averages.
Cracker Barrel vs.
Knapp-Track
(2.5)%
1.3%
2.1%
3.5%
(1.6)%
3.5 %
3.1 %
3.8 %
0.9 %
2.2 %
1.0 %
0.3 %
First Quarter
Second Quarter
Third Quarter
Fourth Quarter
-Track
Cracker Barrel Comparable Restaurant Sales
Knapp
TM
Casual
Dining
Index
Comparable
Sales

21
A SECTOR LEADER IN TOTAL SHAREHOLDER RETURN
TSR
Since
Announcement
of
our

Strategic
Priorities

Source: Bloomberg and public filings

Note: Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested (purchasing more shares) on the ex-date of the dividend) over the past year.

(1) 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

68.4%

74.8%

35.7%

36.8%

28.4%

25.6%

22.4%

3.7%

4.1%

3.9%

0.5%

5.0%

2.7%

72.1%

78.9%

39.6%

39.5%

37.3%

33.4%

28.3%

22.4%

(3.7)%

CBRL

EAT

BOBE

DENN

CAKE

DRI

TXRH

BH

RT

Share Price Appreciation

Dividends Paid

Peer Median: 35.3%

1

Daily from 12-

Sep-

2011 to 28-

Sep-2012

22

Refresh Select Menu Categories

Reinforce value proposition for guests with a refresh of Country Dinner Plates

Introduce better-for-you programs, including new sides and Wholesome Fixins

Grow Retail Sales with Unique

Merchandise

Focus on unique, exclusive, authentic merchandise

Improve productivity with visual merchandising and space planning

Build on Successful Handcrafted

Marketing Campaign

Continue national media strategy

Introduce

new

Hand-crafted creative

advertisements for TV, radio, and billboards

Invest in and Leverage Technology to

Support Operations and Reduce Costs

Implement technology to improve efficiencies and food quality

Streamline processes to increase labor productivity

Focus on Maximizing

Shareholder Returns

Target 2-3% annual new unit growth over the next three years

Pay competitive dividends and repurchase shares

Improve E-commerce Business

and Develop Branded Products

Platform

Grow e-commerce awareness and revenues

Lay groundwork to sell Cracker Barrel branded products in grocery stores

UPDATED BUSINESS PRIORITIES TO CONTINUE DRIVING PERFORMANCE THROUGH 2013

Key Priorities

Objectives

1

2

3

4

5

6

23

A RENEWED BOARD HELPING TO DRIVE PERFORMANCE

Note: Represents board changes as implemented or announced. Represents Board members standing for election at Cracker Barrel Shareholder Meeting.

(1) As announced on 6-Aug-2012, to be effective following Michael A. Woodhouse's retirement in early November 2012.

New Within Past 18 Months

Tom Barr, Vice President, Global Coffee, at Starbucks Coffee Company

Independent

Sandy

Cochran,

President

and

CEO,

Cracker

Barrel

and

former

CEO,

Books-A-Million

James Bradford, Dean of Vanderbilt's Owen Graduate School of Management and former President and

CEO

of

AFG

Industries,

Inc.;

Designated

Independent

Chairman

of

the

Board

of

Cracker

Barrel

Glenn Davenport, Retired Chairman and CEO, Morrison Management Specialists

Norman Johnson, Executive Chairman and Former CEO, CLARCOR Inc.

William

McCarten,

Chairman

of

the

Board,

DiamondRock

Hospitality

Company

and

former

President

and

CEO, HMS Host Corporation

Coleman

Peterson,

President

and

CEO,

Hollis

Enterprises,

LLC
and
former
EVP
and
Chief
People
Officer,
Wal-Mart Stores, Inc.

Richard
Dobkin,
retired
Managing
Partner
of
the
Tampa,
FL
office
of
Ernst
&
Young

Martha Mitchell, retired Senior Partner and SVP, Fleishman-Hillard, International Communications
Andrea Weiss, President and CEO, Retail Consulting and former Chairman, Cortefiel Group

1

ANALYSTS CONTINUE TO COMMENT FAVORABLY ON THE STRATEGY
PUT FORTH BY THE INCUMBENT BOARD AND NEW MANAGEMENT

24
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained
Selected Analyst Commentary

IV. Why We Believe Sardar Biglari is Wrong for This Board

26
WHY WE BELIEVE SARDAR BIGLARI IS STILL WRONG FOR THIS
BOARD
New Cracker Barrel CEO and reconfigured Board laid out a new plan and are successfully executing that
plan
we believe Biglari would be disruptive to current business momentum
We

believe
Biglari's
presence
on
our
Board
would
create
a
conflict
of
interest

he
is
the
CEO
of
a
family

restaurant chain and CEO of a restaurant acquisition vehicle

We believe Biglari would want to be operationally involved but has failed to disclose his specific plans or agenda for the business, either to management or directly to the Board

His repeated public pronouncements highlight his combative approach
was offered two independent

board seats for representation (twice) but turned BOTH offers down

Biglari has a history of creeping control

that we believe is not in the best interest of shareholders:

took control of Steak 'n Shake over time without paying a premium

We believe Biglari has a questionable track record on corporate governance: still proposing dual class of high vote / low vote stock at Biglari Holdings and proposed excessive compensation for himself at Biglari Holdings which received negative shareholder and ISS responses

Biglari Holdings just agreed to pay a \$850,000 civil penalty to resolve a Federal Trade Commission complaint for failing to comply with the Hart-Scott-Rodino Act in amassing its initial position in Cracker Barrel

a violation the FTC's Chairman characterized as trying to abuse the law's passive investor exemption

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BIGLARI HAS ARGUED THAT HE PURCHASED CBRL STOCK FOR INVESTMENT PURPOSES ONLY

(1) Biglari Holdings, press release dated 23-Sep-2011.

However, Biglari's Rhetoric Changes Over Time and We Believe Cannot Be Relied Upon

we told Chairman Michael

Woodhouse that we have

purchased stock for
investment purposes only

Sardar Biglari

Our intention was that even if
we were to purchase additional
stock, we would keep
ownership well under 20%.

Sardar Biglari

Current ownership of 17.4% exceeds his previously
announced intentions

Biglari has twice attempted to gain board seats to
influence the Company
not investment purposes
only

In September 2012, Biglari Holdings agreed to pay
\$850,000 to settle charges that it violated anti-trust
rules when it purchased Cracker Barrel shares

1

1

28

WHAT SARDAR BIGLARI RECENTLY CONFIRMED ABOUT
BIGLARI HOLDINGS

We,
however,
are
control

investors

1
Biglari Holdings is an unconventional public company because it is in the business of owning other businesses without regard to any particular industry along with the stipulation that all major capital allocation decisions are made by Sardar Biglari, Chairman and CEO.

2
The logic underlying the dual class structure indicates that we could gain increased flexibility in structuring acquisitions and financing transactions to augment our growth. As a holding company, we believe that the greater flexibility resulting from our proposal would transform into an advantage in our pursuit of other businesses. We may also use such stock to acquire other businesses or combinations thereof.

2
(1)
Biglari Holdings, 2011 Letter from the Chairman, dated 10-Dec-2011.

(2)
Biglari Holdings, Schedule 14A, filed 12-Sep-2012.
Source: Public filings
Note: Emphasis added.

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WHAT DOES BIGLARI REALLY THINK?

Biglari Holdings is a jockey stock.
You are choosing the jockey; I am choosing the horses.
It
would
be

asinine
to
bet
on
the
jockey
and
then
deny
him
the
saddle
or
whip.
1

Source: Public filings

Biglari Holdings, 2011 Letter from the Chairman, dated 10-Dec-2011.

(1)

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OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET
ANALYSTS

Selected Analyst Commentary

Source: Public news sources and publicly available equity research reports, permission to use quotations neither sought nor obtained

At

this
point
in
time
[Biglari]
hasn't
revealed
any
plan,
of
which
I'm
aware,
to
the
company.
I
think
the
company
wants
to
make
sure
if
he
has
designs
on
taking
over
this
company
and
its
business,
they'd
like
to
make
sure
the
shareholders,
other than just him, are well taken care of.

-
Bob Derrington, Northcoast Research, as quoted in the San Antonio Express; 18-Oct-2012

Mr. Biglari's argument seems to be less focused on corporate governance and shareholder performance, which was the basis of last year's proxy fight, and more focused on demanding that as the largest shareholder he deserves two seats on Cracker Barrel's board.

We are skeptical that the other 82% of Cracker Barrel's shareholders would vote for two executives

of a direct competitor, Steak 'n Shake,

to join Cracker Barrel's board. We find it interesting that if you exclude

the investment in Cracker Barrel, Biglari Holdings has not made many shareholder enhancing decisions the past two years.

Assuming the market is reflecting the CBRL investment gain in BH's market valuation, we estimate BH's market value would be down about 10% since it became an active investor in Cracker Barrel on June 13, 2011 (vs. KBCM Restaurant Index +30%).

We

estimate

the

CBRL

investment

represents

roughly

55%

of

BH's

enterprise

value.

We

expect

Biglari

Holdings

will lose the proxy fight in November.

-

Chris O' Cull, KeyBanc Capital Markets; 20-Sep-2012

Mr. Biglari has not issued an alternative strategic plan for CBRL but

has suggested aggressive goals to drive sales and

traffic

without

supporting

details

as

to

how

such

results

would

be

realized.

Under

Sandy

Cochran,

who

became

CEO

in

September 2011, the company has performed strongly.

Numerous changes have been implemented ranging from board

composition (much higher quality board in our opinion) to marketing, cost management, and willingness to return cash to shareholders.

It

is
not
clear
what
Mr.
Biglari s
plans
might
involve
or
if
they
could
be
as
effective
as
management s
recent performance.

-

Joseph T. Buckley, Bank of America Merrill Lynch; 19-Sep-2012

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OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET
ANALYSTS (CONT.)

Selected Analyst Commentary

Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained

Whatever Biglari's intentions for CBRL still may be, however, we continue to side with management in this fight,

as the company already has enacted several measures to boost operational performance (as evidenced by CBRL's industry-leading comps in family dining), enhance shareholder value (e.g., increased dividend 14% for FY12, removed operating and corporate-level costs), and improve managerial oversight (e.g., splitting the roles of CEO and Chairman of the Board). **We surmise there will be even less incentive for** shareholders to side with a potential Biglari-sponsored slate of Board nominees this November. Although the potential for a second proxy fight remains, we now think a repeat of last year's contentious fight appears less likely.

-

Stephen Anderson, Miller Tabak; 6-Aug-2012

Mr. Biglari has a record of creeping takeovers.

Biglari

Holdings is essentially sending excess cash from

Steak n Shake to the Lion Fund. These investments in the Lion Fund do not appear in Biglari Holdings' balance sheet due to the requirement to fully consolidate the Lion Fund in BH's financial statements. In addition, the Lion Fund's portfolio has purchased significant interests in BH common stock, which is classified on BH's balance sheet as treasury stock, yet the shares remain outstanding. BH's pro-rata ownership of its common stock through Lion Fund as of June 13, 2012 was roughly 100,000 shares, but the Lion Fund, in total, owns roughly 200,000 shares. Essentially, **Mr. Biglari has voting control of roughly 15% of BH's common stock, but he personally owns roughly 10,000 shares (0.7%).**

We wonder how BH decides between allocating excess cash to the Lion Fund and investing more in Steak n Shake (since Mr. Biglari argues it is doing so well) or just returning it to BH shareholders.

-

Christopher O'Cull, KeyBanc Capital Markets; 12-Jul-2012

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BIGLARI OFTEN STATES HE IS A "CONTROL INVESTOR
BUT WE BELIEVE
YOU SHOULD NOT ALLOW HIM TO TAKE CREEPING CONTROL OF
CRACKER BARREL AS HE DID WITH STEAK 'N SHAKE

Source: Public filings and Bloomberg

Stock price adjusted for reverse split to be comparable to current market price.

As per Biglari's Schedule 13D/A filing on 3-Feb-2010.

As per Biglari's preliminary proxy filing on 12-Sep-2012.

17-Aug-2007

Share Price:

\$309.00

Biglari discloses

5.8% ownership in

Steak 'n Shake

Nominates himself

and Cooley to the

Board

Purchased

through:

-

Lion Fund

-

Western Sizzlin

-

P. Cooley

Call Options:

-

20,000 shares

through Lion

Fund

-

561,000 shares

through Western

Sizzlin

7-Mar-2008

Biglari wins Proxy

Contest

19-Jun-2008

Biglari appointed Chairman

of the Board

Jul-2008

Two executive team

members resign

8-Aug-2008

Biglari appointed

CEO

Biglari originally claimed that

he had acquired shares

for investment purposes

Instead he:

Became Chairman and CEO

Merged with Western Sizzlin

22-Oct-2009

Announces Merger with

Western Sizzlin

BIGLARI

HOLDINGS

5.8%

Ownership

Today:

Control of 15.5%

and CEO

Share Price

(28-Sep-2012)

\$365.06

8-Apr-2010

Renamed Biglari Holdings

Biglari only controlled 6.8%

Renamed Biglari Holdings

Took control

1

2

3

(1)

(2)

(3)

INC.

33
EVEN
WITH
BIGLARI
HOLDINGS
LARGE
STAKE,

BH
HAS
SIGNIFICANTLY UNDERPERFORMED CBRL

CBRL Represents over 50% of BH's Market Cap

Source: Bloomberg and public filings

Note: 12-Sep-2011; is closing price the day prior to announcement of Strategic Priorities on 13-Sep-2011.

90%

100%

110%

120%

130%

140%

150%

160%

170%

Sep-2011

Nov-2011

Jan-2012

Mar-2012

May-2012

Jul-2012

Sep-2012

Daily from 12-Sep-2011 to 28-Sep-2012

Cracker Barrel

Biglari Holdings

What value has Biglari

created for his

shareholders in his own

restaurant business

without CBRL?

34
BIGLARI AGAIN TURNED DOWN A GOOD FAITH SETTLEMENT
OFFER
Biglari Rejected The Following Settlement Proposal:
Biglari Holdings was offered two board seats subject only to the reasonable requirements that nominees:

Not be affiliated with Biglari Holdings

Not be a current executive officer or director of a competing restaurant company

Comply with CBRL's long-standing publicly disclosed qualification criteria

This offer was subject to the minimal conditions that, Biglari Holdings:

Support the Board-recommended slate of nominees at the 2012 annual meeting that would include the two nominees of Biglari Holdings

Not nominate other candidates or present shareholder proposals at the 2012 annual meeting

Not seek to call or support any special meeting prior to the Company's 2013 annual meeting

Many proxy fights are settled with the appointment of one or more directors that are not affiliated with the dissident, yet Biglari refuses even to consider nominating an independent director, insisting that it has to be him and Cooley

Does

Mr.

Biglari

really

want

representation

or

simply

a

platform

for

himself?

In voting Biglari down last year, shareholders determined last year he wasn't right for the Board

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ONE THING THAT HAS NOT CHANGED AT BIGLARI HOLDINGS

.It s All About Sardar

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OTHER SHAREHOLDER MATTERS

Compensation

Pay for Performance Culture

Compensation Committee Review and Revisions of Compensation Practices in 2012

Compensation Policies

80% of CEO's target total direct 2012 compensation, and 69% of other named executive officers, is contingent upon

measurable performance

Incentive programs have one, two and three year performance periods to promote both short and long term appreciation of shareholder value

2012 Total Shareholder Return significantly outperformed the S&P 500, 600, and 1,500 Restaurant indices

Revenue growth, improved margins, and strong Return On Invested Capital performance resulted in incentive plan performance in excess of targets

Initiated full review of compensation practices based on say-on-pay vote results and feedback from shareholders and proxy advisory services in connection with 2011 annual meeting

Instituted a number of revisions to compensation practices as a result of this analysis:

Revised overall compensation philosophy to target total compensation paid to our executive officers at median of peer group

Revised stock ownership guidelines to multiple of base salary for executive officers and total cash retainer for non-employee directors:

5x base salary for CEO

3x base salary for CFO and Executive Vice Presidents; 2x base salary for all other executive officers

For non-employee directors, greater of 5,000 shares or 5x the annual cash retainer

No covered persons may sell any shares until threshold is reached

Worked to clarify disclosure in CD&A of compensation performance targets and performance relative to them

Adopted anti-hedging policy for officers and directors

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OTHER SHAREHOLDER MATTERS

Shareholder-Friendly Rights Plan is Fully Consistent with ISS Guidelines, Including a 20% Threshold Adopted in April 2012 in response to threat that Biglari could gain creeping control without paying a control premium

In

his
2011
Letter
From
the
Chairman,
Biglari
said

We are
control
investors
when
we
own
a
sizeable block of stock engendering influence

Tennessee law preventing shareholders from voting shares above 20% without shareholder approval is not sufficient. By acquiring shares above 20%, Biglari could still prevent other shareholders

from
voting
those
shares
and
gain
greater
influence
by
virtue
of
economic
ownership

Shareholder-friendly provisions include:

Rights
plan
would
not
be
triggered
by
qualifying
offers
(all-cash,
fully
financed
tender
offers
that remain open for at least 60 business days)

Rights plan is focused on creeping acquisitions above 20% and would not deter a non-coercive cash tender offer for all shares

Rights expire if shareholders do not approve rights plan at November 2012 annual meeting

If shareholders approve, rights would expire on April 9, 2015

Shareholder-Friendly Rights Plan

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WHY YOU SHOULD VOTE THE WHITE PROXY CARD

We have accomplished a great deal over the last year
with more to come

Our reconfigured Board is highly engaged and continuously seeks to create value
We believe Biglari's and Cooley's presence would create a conflict of interest and
would be detrimental to the functioning of our Board

We again made a good faith offer this year to permit Biglari to appoint two independent directors to the Board and again he rejected. Is his fight about having representation or just about him?

We believe Biglari's historic playbook of creeping control and poor corporate governance could harm Cracker Barrel and its shareholders

Appendix

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RECONCILIATION OF GAAP BASIS OPERATING RESULTS
TO ADJUSTED NON-GAAP OPERATING RESULTS

(Unaudited and \$ in thousands, except per share data)

- (1) Severance, other charges and tax effects related to operational restructuring.
- (2) (Charges) Gain and tax effects of impairment net of gain on sale of property.
- (3) Refinancing costs and tax effects related to the Company's \$750 million credit facility.

(4) Charges and tax effects of the proxy contest concluded at the Company's annual meeting of shareholders.
 Fourth Quarter Ended August 3, 2012
 Fourth Quarter Ended July 29, 2011
 As Reported
 Adjust
 53rd Week
 As Adjusted
 As Reported
 Adjust
 1,2,3,4
 As Adjusted
 Total Revenue
 \$ 700,010
 (51,059)
 \$ 648,951
 \$ 612,942
 \$ 612,942
 Store Operating Income
 97,577

 (11,093)
 86,484
 74,660

 74,660
 General and Administrative Expenses
 37,671

 (1,370)
 36,301
 35,323
 (2,172)
 33,151
 Impairment and Store Dispositions, Net

 1,249
 (1,044)
 205
 Operating Income
 59,906

 (9,723)
 50,183
 38,088
 3,216
 41,304
 Interest Expense

11,354

(811)

10,543

16,327

(5,136)

11,191

Pretax Income

48,552

(8,912)

39,640

21,761

8,352

30,113

Provision for Income Tax

13,856

(2,632)

11,224

4,218

2,201

6,419

Net Income

\$ 34,696

\$ (6,280)

\$ 28,416

\$ 17,543

\$ 6,151

\$ 23,694

Earning

Per

Share

Basic

\$ 1.49

(0.27)

\$ 1.22

\$ 0.77

\$ 0.27

\$ 1.04

Earning

Per

Share

Diluted

\$ 1.47

(0.27)
 \$ 1.20
 \$ 0.75
 \$ 0.26
 \$ 1.01
 Twelve Months Ended August 3, 2012
 Twelve Months Ended July 29, 2011
 As Reported
 Adjust
 1,4
 53rd Week
 As Adjusted
 As Reported
 Adjust
 1,2,3,4
 As Adjusted
 Total Revenue
 \$ 2,580,195
 (51,059)
 \$ 2,529,136
 \$ 2,434,435
 \$ 2,434,435
 Store Operating Income
 337,146

(11,093)
 326,053
 305,778

305,778
 General and Administrative Expenses
 146,171
 (6,863)
 (1,370)
 137,938
 139,222
 (2,172)
 137,050
 Impairment and Store Dispositions, Net

(625)
 830
 205
 Operating Income
 190,975
 6,863
 (9,723)

188,115

167,181

1,342

168,523

Interest Expense

44,687

(811)

43,876

51,490

(5,136)

46,354

Pretax Income

146,288

6,863

(8,912)

144,239

115,691

6,478

122,169

Provision for Income Tax

43,207

2,027

(2,632)

42,602

30,483

1,707

32,190

Net Income

\$ 103,081

\$ 4,836

\$ (6,280)

\$ 101,637

\$ 85,208

\$4,771

\$ 89,979

Earning

Per

Share

Basic

\$ 4.47

\$ 0.21

(0.27)

\$ 4.41

\$ 3.70

\$ 0.21

\$ 3.91

Earning

Per

Share

Diluted

\$ 4.40

\$ 0.21

(0.27)

\$ 4.34

\$ 3.61

\$ 0.20

\$ 3.81

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A NOTE REGARDING PEER SET USED FOR BENCHMARKING

Last year our peer set included:

Biglari Holdings, Brinker International,
Cheesecake Factory, Darden Restaurants, P.F.
Chang's China Bistro, Ruby Tuesday, and

Texas Roadhouse

During the past year P.F. Chang's China Bistro was acquired by Centerbridge Partners and is no longer publicly traded

Based on feedback received we have added Bob Evans Farms and Denny's Corporation both full-service restaurants chains We believe this subset of casual and family dining restaurants represents the most comparable set of companies to benchmark CBRL performance

Leading casual / family dining concepts

Operational comparability

Similar scale

Geographical proximity

Rationale for Inclusion

Peer Set

Ticker

Company Name

Logo

BH

Biglari Holdings

BOBE

Bob Evans Farms

EAT

Brinker International

CAKE

The Cheesecake Factory

DRI

Darden Restaurants

DENN

Denny's Corporation

RT

Ruby Tuesday

TXRH

Texas Roadhouse

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S&P RESTAURANT INDEX COMPOSITION
Respective S&P Restaurant Index Constituents
Ticker
Company Name
Logo
S&P

500
S&P
600
S&P
1,500
BJRI
BJ's Restaurants
BH
Biglari Holdings
BOBE
Bob Evans Farms
BWLD
Buffalo Wild Wings
CAKE
The Cheesecake Factory
Cracker
Barrel Old Country Store
CEC
CEC Entertainment
CMG
Chipotle
Mexican Grill
DIN
DineEquity
DRI
Darden Restaurants
EAT
Brinker
International
JACK
Jack in the Box
CBRL
Ticker
Company Name
Logo
S&P
500
S&P
600
S&P
1,500
MCD
McDonald's
PEET
Peet's Coffee & Tea
PNRA
Panera Bread Company
PZZA
Papa John's International
RRGB

Red Robin Gourmet
Burgers
RT
Ruby Tuesday
RUTH
Ruth s Hospitality Group
SBUX
Starbucks
SONC
Sonic
TXRH
Texas Roadhouse
WEN
The Wendy s Company
YUM
Yum! Brands